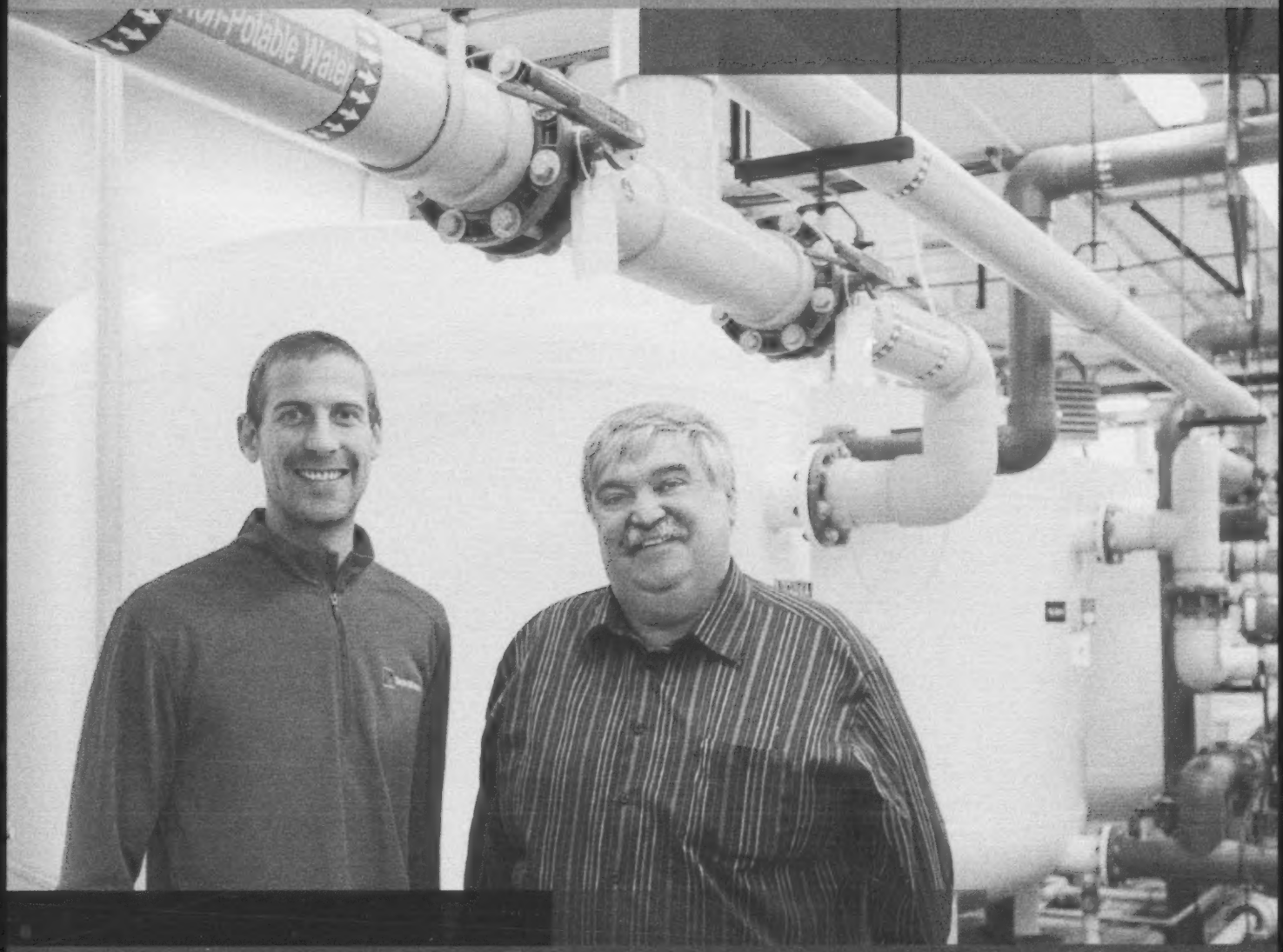
SaskWater

"SaskWater delivered on their promise of a **reliable, clean** and **safe water** source."

Len Kallichuk, Mayor of Cupar

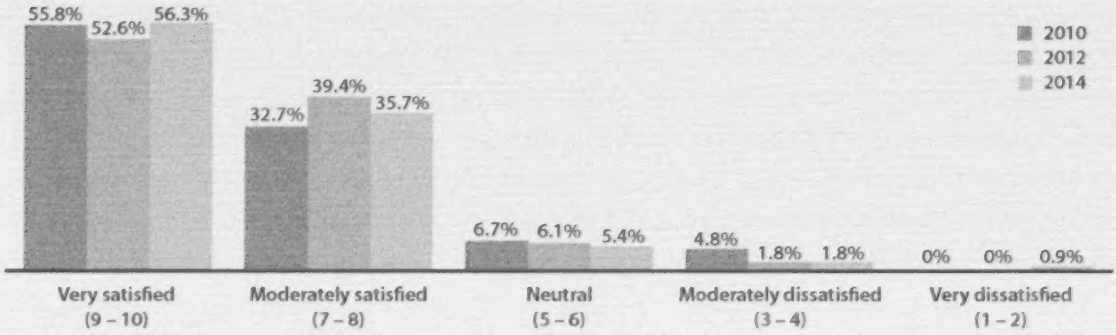


Helping **Communities** Grow

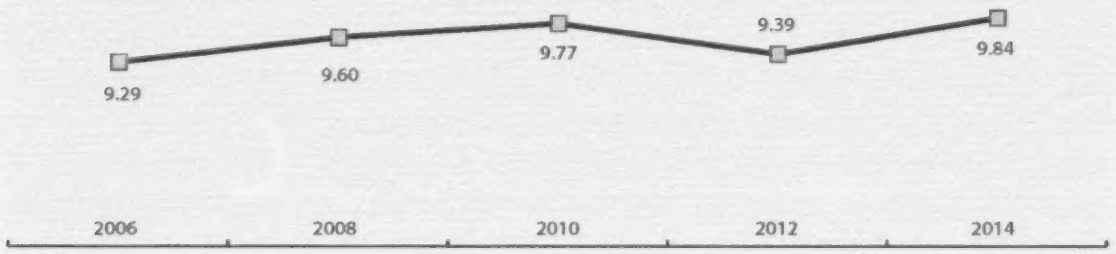
2014 ANNUAL REPORT

Customer Satisfaction Survey Highlights

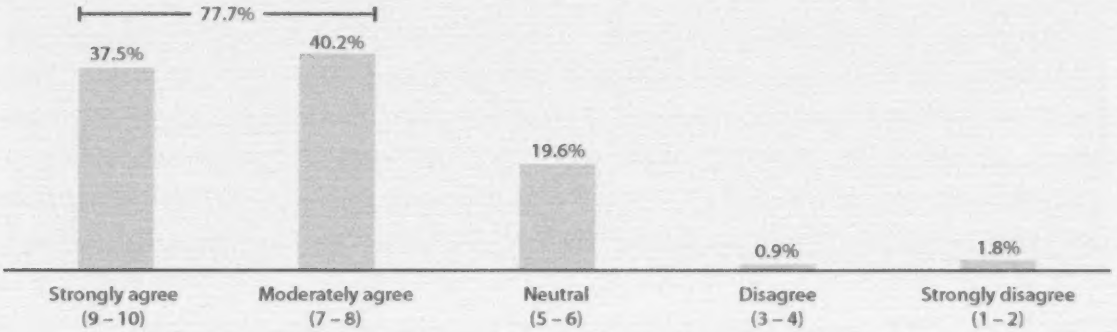
Overall Satisfaction with SaskWater



Overall Importance of Water (average - trended)



Perception of Fair Prices Charged by SaskWater



Cover Image: Leonard Kallichuk, Mayor of the Town of Cupar (right), and Jeff Harris, Senior Technologist, Regional Systems, SaskWater, at the water treatment plant in Cupar. See the story behind the photo on page 31.

SaskWater is Saskatchewan's commercial Crown water utility, helping communities, First Nations and industry gain access to reliable and professional water and wastewater services.

The full history of SaskWater goes back to 1966 when we began operations as the Saskatchewan Water Supply Board. The head office was relocated from Regina to Watrous in 1977, and in 1984 the Saskatchewan Water Corporation was created with its head office in Moose Jaw. In 2002, SaskWater received a new mandate to operate exclusively as a commercial water utility.

SaskWater provides professional water and wastewater services to 63 communities, eight rural municipalities, 83 rural pipeline groups, 16 industrial and approximately 236 commercial and domestic end user customers. SaskWater serves more than 72,000 people in Saskatchewan.

The corporation owns eight water treatment plants, three wastewater facilities, 39 pump stations, 140 kilometres of canal and approximately 865 kilometres of pipeline. The total kilometres of pipeline that SaskWater owns dropped 11 kilometres in 2014 after the corporation sold 2.8 km of pipeline to the City of Saskatoon, sold the Brightwater non-potable line to the Rural Municipality of Rosedale and sold the Broderick non-potable line to the Village of Broderick.

SaskWater also maintains 14 customer-owned systems. In 2014, we provided operator training to 29 Saskatchewan First Nations communities.

Supporting economic growth and the people of Saskatchewan has always been at the core of SaskWater's purpose. As Saskatchewan's communities and industries grow with the province's expanding economy, SaskWater works hard to supply its customers with the infrastructure, customer service and water resources they need to prosper.

The theme of this year's annual report is *Helping Communities Grow*, and we highlight several stories of successful community endeavours:

- The Town of Cupar and SaskWater won the 2014 Western Canada Water award for Exceptional Municipal Project
- SaskWater partnered with Vale Potash Canada Inc. to present a First Nations Science Fair at Muscowpetung School in May
- SaskWater is expanding its potable water services to White City to help meet the needs of this growing community

Corporate Profile

SaskWater is committed to providing the highest level of service to its customers. That promise is reflected in the corporation's Vision, Mission and Values.

Vision: to be Saskatchewan's water and wastewater utility of choice.

Mission: to provide reliable and professional water and wastewater services for Saskatchewan.

Values:

- **Integrity** – We are committed to act with respect, honesty and fairness.
- **Professionalism** – We provide quality services and expertise and we are accountable for our actions.
- **Sense of Community** – We support our customers, employees, the environment and communities where we live and work.
- **Innovation** – We pursue continuous improvement and innovative solutions.

SaskWater has defined four measurable strategic objectives to guide the corporation: Succeeding Financially, Growing the Business, Achieving Business Excellence, and Valuing Employees. Our 2014 annual report provides details on how we are accomplishing all four objectives.

SASKWATER'S UNIQUE **VALUES**

High Standards

Staff dedication to quality control ensures customers receive safe and reliable water services.

Knowledge

Staff's technical expertise helps determine the most cost-effective solutions for customers' water and wastewater services.

Innovation

Access to knowledge and innovation exchange networks and a commitment to pilot innovative new ideas and technologies.

Asset Enhancement

Investment in asset renewal, asset management, staff training and remote monitoring increases corporate efficiencies and quality service.

Partnerships

Strong working relationships with regulatory and other government agencies, consultants and contractors enable SaskWater to provide timely and efficient services to customers.

Corporate Responsibility

SaskWater's Community Investment program supports Saskatchewan communities through sponsorships and donations.

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Moose Jaw, March 2015

To Her Honour
Vaughn C. Schofield
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Dear Madam:

It is my honour to submit herewith the annual report of SaskWater for the year ending December 31, 2014.

The annual report includes the financial statements, duly certified by auditors for the corporation, in the form approved by the Treasury Board and in accordance with *The Saskatchewan Water Corporation Act*.

I have the honour to be your obedient servant.

Sincerely,

Scott Moe
Minister Responsible for Saskatchewan Water Corporation

Minister's Message

Over the past few years, SaskWater has successfully grown its business and improved its financial performance. This has allowed the company to move forward with refurbishment of aging infrastructure and expand to meet the growing populations of the communities it serves.

As Minister Responsible for SaskWater, I am particularly pleased that the corporation has maintained its focus on a high level of customer service and customer satisfaction, as demonstrated by the results of the 2014 customer satisfaction survey which are highlighted in this report.

I am confident SaskWater will continue to play a vital role in contributing to the health and well-being of the people of Saskatchewan and the provincial economy.

Sincerely,

Scott Moe
Minister Responsible for Saskatchewan Water Corporation

SaskWater experienced several leadership changes in 2014. Minister Scott Moe was appointed as Minister Responsible for SaskWater. Silvia Martini and Glenda Whalen were added as Board members with the departure of Garry Moroz and Larry Burechailo. The entire corporation was shocked and saddened in December with the sudden passing of Glen Rittinger, who was Chair of the Board since 2008. Until the appointment of a new Chair, Lionel LaBelle has stepped up to assume the role. Finally, SaskWater welcomed two new Vice Presidents with the retirement of Marie Alexander and Jeff Mander.

Regardless of changes in key people, SaskWater has continued to implement its strategies to grow and improve the operations of the company. Over the last four years, from 2011 to 2014 inclusive, the company earned $15.5 million. Over the same period, SaskWater has been able to invest $29 million in asset refurbishment and growth, in addition to funds received from customers to support projects. This is a significant commitment to service. It has been achieved while also reducing net debt by $8.4 million and improving the debt ratio from 58.5% on January 1, 2011 to 45% on December 31, 2014.

Our success is based on the knowledge and dedication of our employees and the support of our customers. In our biennial customer satisfaction survey, SaskWater's overall customer satisfaction rating continued to increase, up to 8.6 out of 10. Our employee pulse survey also showed improvement in every category. Both of these results are significant achievements of which we are very proud.

SaskWater was also able to advance several customer projects during 2014, including the water supply systems for BHP Billiton and White City and expansion of the Echo Regional wastewater facility. These are very positive projects, though each was challenged with weather and other issues that pushed back their expected completion dates. We expect to complete all of these projects in 2015.

Asset refurbishment on the Saskatoon South East Water Supply system and the Saskatoon potable east system were areas of major focus in 2014. We continue to develop our asset management system, improve documentation of our standard operating procedures and emergency response plans and improve our processes to develop timely responses to customer service requests.

A key industrial project, developing a new non-potable water supply system into the Belle Plaine industrial corridor, has experienced delays as the companies we have been dealing with manage their own challenges. In October, Vale Potash Canada Inc. agreed to increase the scope of work for SaskWater to include completing the detailed design and land control for the water supply system for their proposed potash mine at Kronau. SaskWater also submitted the Environmental Impact Assessment for this project to the Ministry of Environment in 2014 and is awaiting the results.

Lionel LaBelle, Vice Chair of the Board, left and Doug Matthies, President, right.

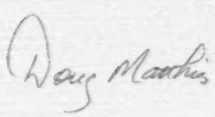
A major undertaking completed in 2014 was the development of a new five year strategic plan that will take effect in 2015. The focus will be on growth, diversification and competitiveness.

Many Saskatchewan communities have been waiting for the New Building Canada Fund grant program before committing to new projects. The announcement of the grant application period on November 24 generated a lot of excitement with our existing and potential customer communities. We are optimistic that during 2015 SaskWater will begin work with several communities on replacements or upgrades to their water and wastewater systems.

K+S Potash Canada will begin taking water in 2015 and is expected to eventually become our second largest customer by volume. SaskWater is also exploring opportunities with other industrial businesses that could help diversify our customer base.

In conclusion, SaskWater continued to deliver safe and reliable service in 2014. We expect 2015 to be another successful year with significant investment in asset growth and refurbishment, in our people and in the systems and tools needed to help serve our customers better.

Lionel LaBelle
Vice Chair of the Board



Doug Matthies
President and CEO

In Memoriam

We were very saddened when Glen Rittinger passed away on December 21, 2014. Glen served as the chair of SaskWater's Board of Directors since 2008 and was, in his own words, "proud of the growth the corporation achieved" and was "looking forward to continued growth in the future." He made many contributions to the success of SaskWater, and we will miss him.

Glen took his role as Chair seriously and with great pride in what we are accomplishing at SaskWater. He was genuinely interested in the workings and success of the corporation, its people and its customers.

He also had the respect of the rest of the Board of Directors and staff as well as everyone else with whom he dealt on behalf of SaskWater. On behalf of everyone at SaskWater, we offer our condolences to Glen's wife Connie, their children, grandchildren and extended family.

Systems Map

Current service in Saskatchewan

SaskWater currently owns and/or operates potable, non-potable and wastewater waterworks in the following locations/regions:

1 La Ronge Area
2 Pierceland
3 Meota–Cochin–Jackfish Lake Area
4 Nipawin
5 Melfort Area
6 Wakaw–Humboldt Area
7 Saskatoon Area
8 Hanley–Watrous–Lanigan Area
9 Elbow
10 Cupar
11 Edenwold
12 Buffalo Pound Area
13 Moose Jaw (Geothermal)
14 Fort Qu'Appelle
15 White City
16 Gravelbourg
17 Halbrite

SaskWater's Core Lines of Business

- potable water supply
- non-potable water supply
- wastewater treatment and management
- certified operation and maintenance (COM)
- project management
- water and wastewater training
- remote monitoring
- leak detection audits

Potable Water Supply

SaskWater's potable water supply business refers to the delivery of water that is suitable for human consumption in accordance with applicable regulations. Municipalities represent the largest consumers of potable water. SaskWater also delivers potable water to rural pipeline groups and businesses.

The majority of SaskWater's municipal customers own and operate their local distribution systems and manage the relationship with their residents. SaskWater provides wholesale water delivery service to the community, which then delivers the service to its residents.

Stand-Alone Systems

SaskWater's mandate enables the corporation to purchase and operate municipal waterworks or to construct new water supply and treatment systems. SaskWater currently owns and operates stand-alone systems in Elbow, White City, Pierceland, Edenwold, Gravelbourg and Cupar.

Regional Systems

For many rural communities, regional water systems are the most cost-effective and sustainable solutions to their water needs.

SaskWater owns and operates the Wakaw-Humboldt and Melfort regional potable water systems. These systems consist of a single treatment plant that produces and distributes potable water to surrounding communities through a pipeline network. Water treatment plants for these two regional systems are located in Wakaw and Melfort. Together these systems supply potable water to 17 communities and several rural pipeline groups.

SaskWater also owns and operates two regional potable water systems where the water is purchased from other suppliers. SaskWater purchases potable water from the City of Saskatoon and delivers it to surrounding communities, industries, other commercial businesses, and pipeline groups through an extensive pipeline network. SaskWater also purchases potable water from the Buffalo Pound Water Administration Board, the City of Regina and the City of Moose Jaw, sourced from the Buffalo Pound Treatment Plant, and delivers it to surrounding communities and industries.

In 2014, SaskWater delivered 6.8 billion litres of high quality drinking water.

Non-Potable Water Supply

SaskWater's non-potable water supply business refers to the delivery of water that is not suitable for human consumption in accordance with applicable regulations.

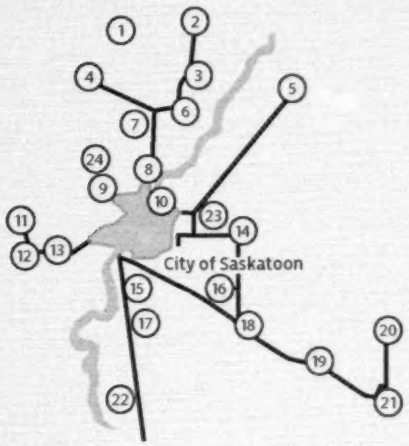
The majority of SaskWater's non-potable water supply is delivered in large volumes to industrial customers for processing and manufacturing operations, including potash mines and fertilizer manufacturers.

Municipal customers also purchase non-potable water from SaskWater. These customers own water treatment facilities and perform their own treatment processes prior to residential delivery.

SaskWater owns and operates non-potable water systems in the areas surrounding Saskatoon, Buffalo Pound Lake and along the Saskatoon Southeast Water Supply system.

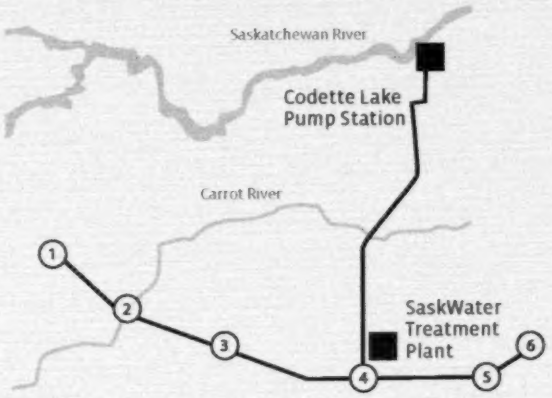
In 2014, SaskWater delivered 30 billion litres of non-potable water compared to 32.3 billion litres in 2013. This reduction is largely due to industrial customers adjusting their requirements in response to market fluctuations for their products.

Saskatoon Area:
Potable Water Supply System



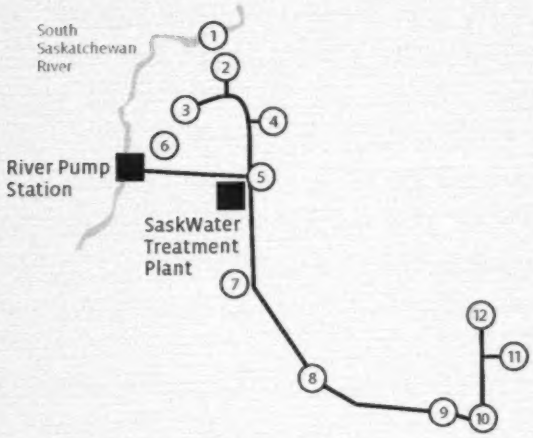
1. Hepburn
2. Hague
3. Osler
4. Dalmeny
5. Aberdeen
6. Warman
7. Martensville
8. ERCO Worldwide
9. BizHub Developments Ltd.
10. Akzo Chemicals
11. Perkins Ag Marketing Inc.
12. Prairie Pride Chick Sales Ltd.
13. Chemtrade West
14. Sunset Estates
15. Grasswood
16. Cargill Ltd.
17. Casa Rio/Wood Meadow
18. Clavet
19. Bradwell
20. Elstow
21. Allan
22. Dundurn Rural Water Utility
23. Highway 41 Rural Water Utility
24. Yellowhead Industrial Park

Melfort Area:
Potable Water Supply System



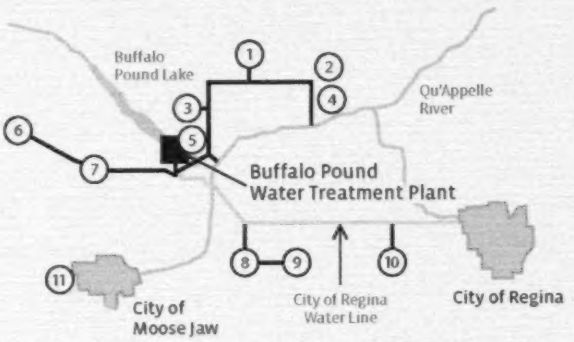
1. Weldon
2. Kinistino
3. Beatty
4. Melfort
5. Star City
6. Star City Farming

Wakaw–Humboldt Area:
Potable Water Supply System



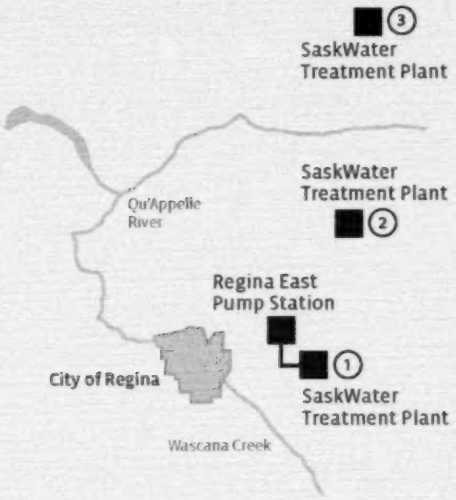
1. St. Louis
2. Hoey
3. St. Isidore-de-Bellevue
4. Domremy
5. Wakaw
6. One Arrow First Nation
7. Cudworth
8. Bruno
9. Humboldt
10. Muenster
11. Annaheim
12. Lake Lenore

Buffalo Pound Area:
Potable Water Supply System



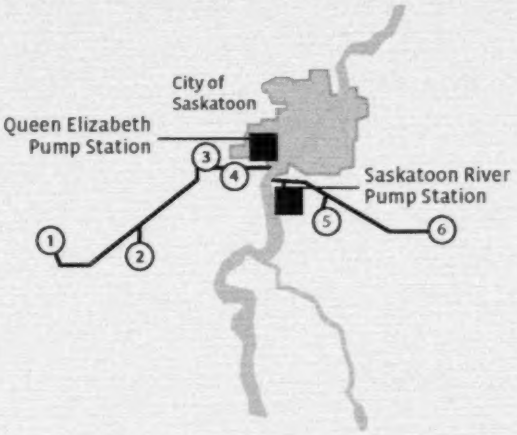
1. Bethune
2. Arm River Farming
3. Buffalo Plains Cattle Company
4. Disley
5. K+S Potash Canada
6. Marquis
7. Tuxford
8. Yara Belle Plaine Inc.
9. K+S Windsor Salt Ltd.
10. Grand Coulee
11. Caron/Mortlach Regional Public Utility Board

Regina East:
Potable Water Supply Systems



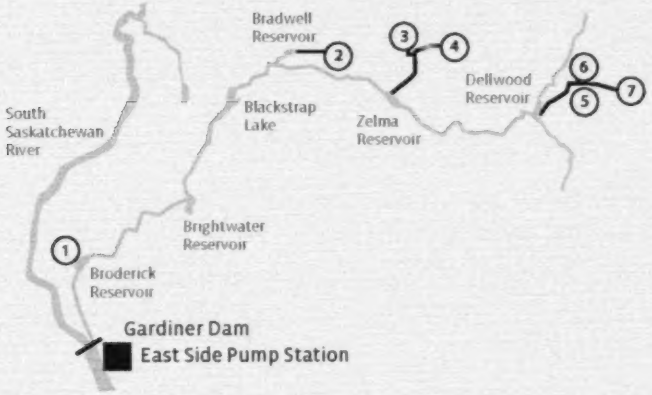
1. White City
2. Edenwold
3. Cupar

Saskatoon Area:
Non-Potable Water Supply System



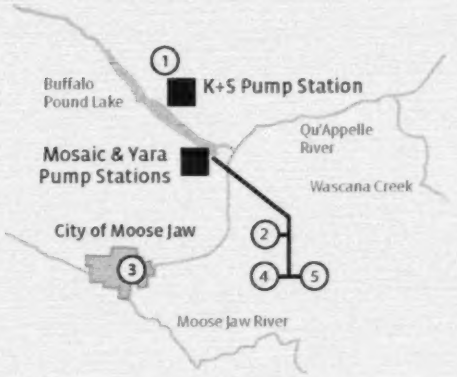
1. Agrium Potash
2. Vanscoy
3. PCS Cory and Cory Cogen
4. Cedar Villa
5. Golf Courses (WGCC/SGCC/Greenbryre)
6. Cargill

Saskatoon Southeast:
Non-Potable Water Supply System



1. Broderick
2. PCS Allan
3. Mosaic Potash Colonsay ULC
4. Viscount
5. PCS Lanigan
6. Guernsey
7. Lanigan

Buffalo Pound Area:
Non-Potable Water Supply System



1. K+S Potash Canada
2. Terra Grain Fuels Inc.
3. Temple Gardens Mineral Spa
4. Yara Belle Plaine Inc.
5. Mosaic Potash Belle Plaine

Wastewater Treatment and Management

A long-standing issue in wastewater management is the need for environmentally sustainable wastewater treatment and disposal solutions. We provide solutions ranging from simple lagoon-based treatment to complex mechanical and/or chemically aided treatment systems.

An example of an environmentally sustainable wastewater disposal method is effluent irrigation onto a woodlot. SaskWater's research in this field has led to the development of an effluent disposal process involving woodlots with zero discharge to the environment.

SaskWater owns and operates wastewater facilities in Nipawin, Pierceland and Fort Qu'Appelle. The Pierceland facility is a stand-alone system. The Nipawin and Fort Qu'Appelle facilities are regional wastewater systems serving multiple customers either through force mains or dump stations for commercial truck haulers.

In 2014, SaskWater received and treated 1.1 billion litres of wastewater.

Certified Operation and Maintenance (COM)

SaskWater contracts with 14 communities and rural pipeline groups to provide certified operation and maintenance of their water and wastewater systems, including:

- non-potable water supply
- water and wastewater treatment plants
- treated water storage facilities
- distribution systems
- wastewater collection and disposal

The above services are supervised or performed by certified operators.

We also provide regulatory reporting and consultation, emergency planning, remote monitoring and customer support services.

SaskWater is able to offer the services of its qualified certified operators to communities and rural pipeline groups located near our existing operating centres.

Project Management

SaskWater provides project management services for customers to plan and manage the design and construction of water and wastewater infrastructure projects.

In 2014, SaskWater's project management activities continued to support the potash industry as companies investigate water supplies for potential new mines.

SaskWater also plans and manages the design and construction of water and wastewater infrastructure in northern Saskatchewan on behalf of the Ministry of Government Relations. From the Prince Albert office, SaskWater provides ongoing technical advice to northern communities and First Nations for maintenance and expansion of their water and wastewater infrastructure including responding to community emergencies related to that infrastructure.

Water and Wastewater Training

SaskWater works on behalf of Aboriginal Affairs and Northern Development Canada (AANDC) to provide operating training to Saskatchewan First Nations. In 2014, SaskWater trained 70 water and wastewater operators at 29 First Nations. The number of First Nations participating in this training has gradually declined as tribal councils have taken on the responsibility of running their own training programs.

The goal of SaskWater's training program is to assist in providing a safe water supply to residents and to safeguard their valuable water and wastewater infrastructure investment. The program began in 1978, and has evolved over the years to suit the specific water and wastewater operational needs of First Nations communities as they adapt to frequently changing technology and increasingly stringent regulatory requirements.

Benefits to First Nations communities include:

- enhanced quality of water and wastewater operation
- emergency technical assistance as required
- limited service disruptions and threats to public water quality and supply
- progressive operator development, including certification tutorial support
- annual water consumption records collection and reporting, representation at project management team meetings on behalf of First Nations receiving new facilities or significant facility upgrades and, upon request, participation in relevant stakeholder meetings

Remote Monitoring

Partnering with TransGas (a subsidiary of SaskEnergy), SaskWater uses a Supervisory Control and Data Acquisition (SCADA) system to remotely monitor 52 SaskWater and customer owned facilities across the province 24 hours a day, 365 days a year.

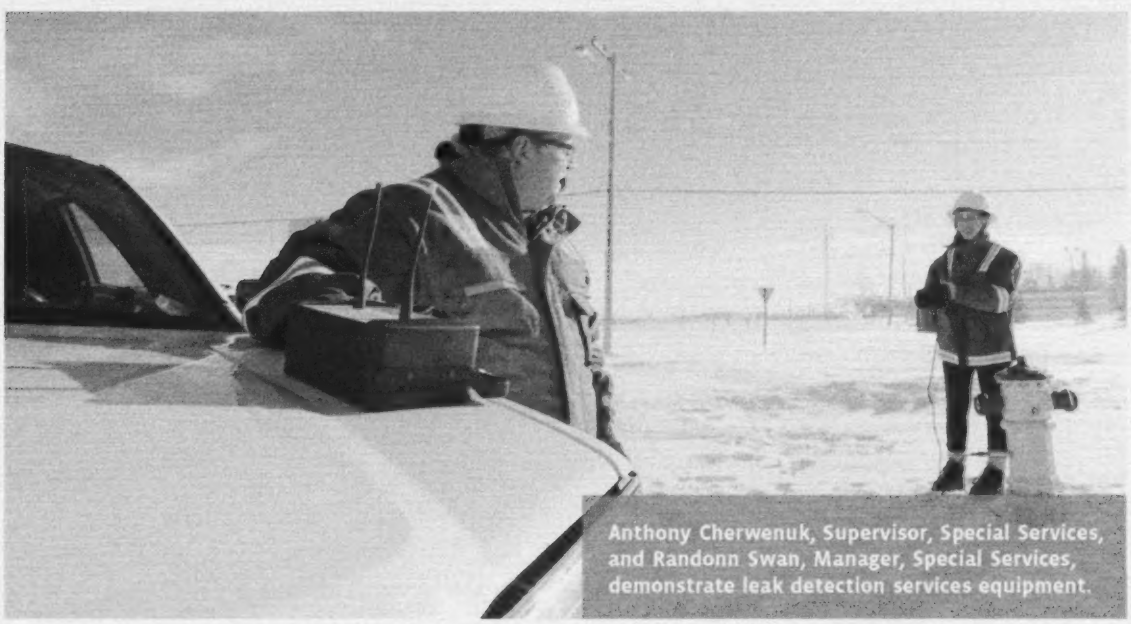
SCADA helps SaskWater increase safety, improve service, enhance water quality monitoring and reduce costs. Operating water and wastewater systems for communities in a province the size of Saskatchewan can be challenging. SaskWater now serves approximately 72,000 people in 63 communities.

By remotely monitoring SaskWater facilities, cost for travel to sites is reduced and field staff can focus more time on preventative maintenance and facility improvements, providing a higher level of service to our customers.

Leak Detection Audits

SaskWater provides leak detection services using noise correlator technology to detect subsurface water leaks and conduct leak audits on distribution systems. Our team of highly qualified professionals is trained and equipped to support our customers with this industry best practice for maintenance and asset management.

This service strengthens SaskWater's commitment to provide safe, quality water to Saskatchewan communities as leaks of any size can damage infrastructure, contaminate a water supply, deprive a community of considerable revenue and waste a valuable natural resource.



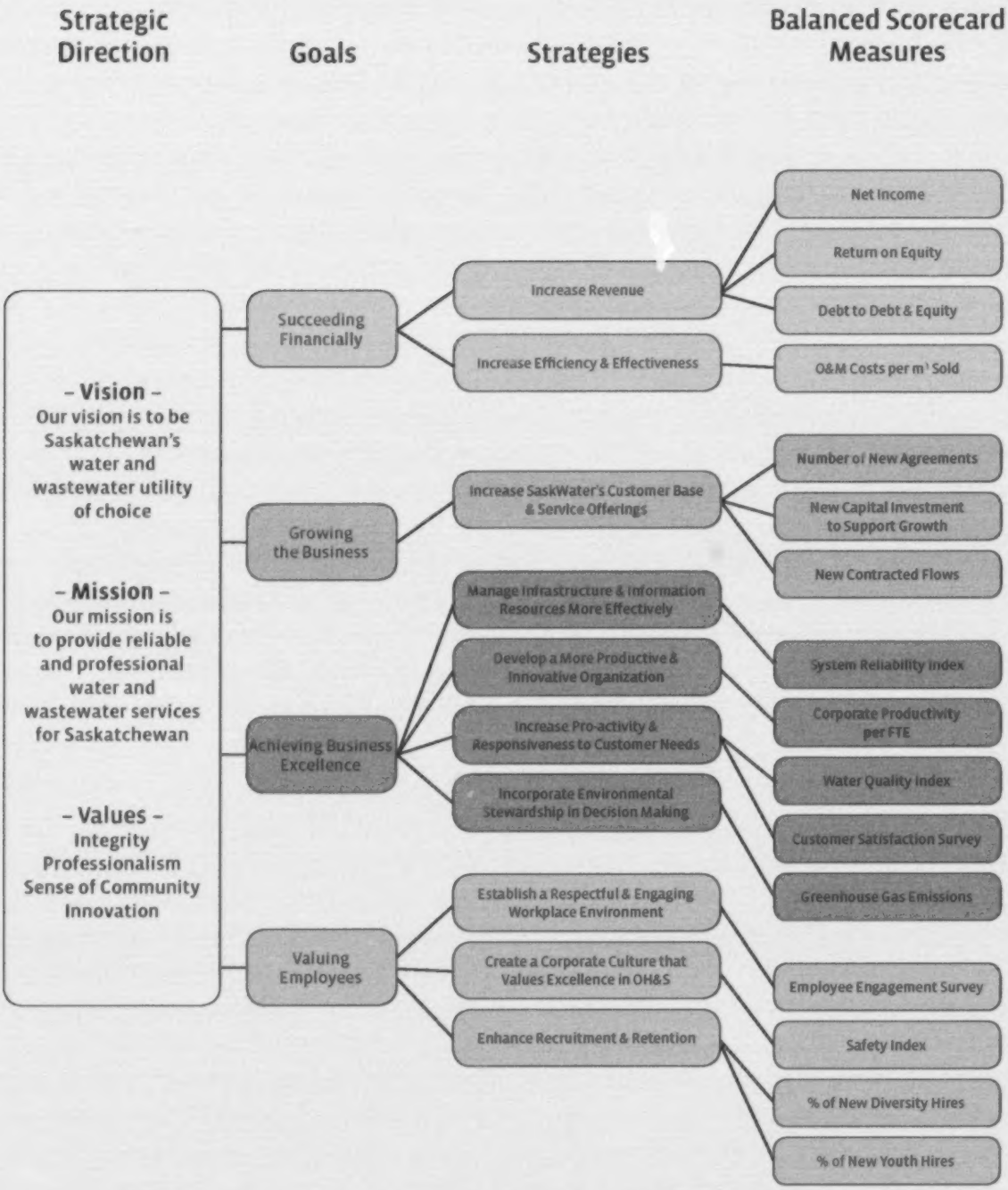
Anthony Cherwenuk, Supervisor, Special Services, and Randonn Swan, Manager, Special Services, demonstrate leak detection services equipment.

SaskWater is a subsidiary of Crown Investments Corporation (CIC). CIC provides the direction to the Crown sector regarding strategic and performance management planning including the following:

- *Advising and communicating to Crown corporations the government's priorities, policies, strategic directions and performance expectations*
- *Developing and directing the implementation of a governance framework in the Crown sector that meets or exceeds best practices*
- *Monitoring Crown sector performance including tracking and reporting on specific targets for the shareholder*

SaskWater annually prepares a Performance Management Plan that outlines its strategic plan, business goals and performance measures. The 2014 Performance Management Plan is based on the corporation's strategic plan. The strategic plan outlines Saskwater's four key goals including Succeeding Financially, Growing the Business, Achieving Business Excellence and Valuing Employees, which all support SaskWater's vision, mission and values.

These four goals are the drivers of success for the corporation and guide SaskWater's business planning and reporting processes. On an annual basis, the Board of Directors establishes priorities for the year. SaskWater then assesses its strategies, and its balanced scorecard measures and targets to ensure they continue to be appropriate. Where possible, targets are benchmarked to industry and take into account the organization's historical data and future goals. The balanced scorecard outlines the corporation's achievement of these performance measures. In 2015, the balanced scorecard will change to reflect SaskWater's revised strategic direction.


Strategic Direction
Goals
Strategies
Balanced Scorecard Measures
– Vision –
Our vision is to be Saskatchewan's water and wastewater utility of choice
– Mission –
Our mission is to provide reliable and professional water and wastewater services for Saskatchewan
– Values –
Integrity
Professionalism
Sense of Community
Innovation
Succeeding Financially
Growing the Business
Achieving Business Excellence
Valuing Employees
Increase Revenue
Increase Efficiency & Effectiveness
Increase SaskWater's Customer Base & Service Offerings
Manage Infrastructure & Information Resources More Effectively
Develop a More Productive & Innovative Organization
Increase Pro-activity & Responsiveness to Customer Needs
Incorporate Environmental Stewardship in Decision Making
Establish a Respectful & Engaging Workplace Environment
Create a Corporate Culture that Values Excellence in OH&S
Enhance Recruitment & Retention
Net Income
Return on Equity
Debt to Debt & Equity
O&M Costs per m³ Sold
Number of New Agreements
New Capital Investment to Support Growth
New Contracted Flows
System Reliability Index
Corporate Productivity per FTE
Water Quality Index
Customer Satisfaction Survey
Greenhouse Gas Emissions
Employee Engagement Survey
Safety Index
% of New Diversity Hires
% of New Youth Hires

Strategic Objective		Measure	2014 Target	2014 Result	Indicator Light	2015 Target	2016 Target	2017 Target	2018 Target	2019 Target
Increase Revenue	1	Net Income (000s)	$3,724	$5,485	●	$4,745	$4,395	$4,792	$6,149	$7,230
	2	Return on Equity	7.7%	11.3%	●	9.1%	8.0%	8.2%	9.9%	10.9%
	3	Debt to Debt & Equity	50.7%	45.0%	○	49.9%	53.7%	57.3%	60.0%	60.3%
Increase Efficiency & Effectiveness	4	O&M costs per m^3 Sold	$0.343	$0.390	○	$0.36	$0.39	$0.38	$0.40	$0.43

SaskWater continues to focus on financial success, business growth and efficiencies. The corporation measures its performance in these areas through its Net Income, Return on Equity (ROE), Debt ratio and Operations and Maintenance (O&M) Costs per cubic meter (m^3) Sold measures.

Net Income and Return on Equity are higher than the target by more than 20% in 2014. Operating net income was $9 thousand below budget for the year; however, $1.2 million in unrealized gains related to market adjustments on sinking funds, plus $540 thousand in lower net finance expenses due to lower than anticipated debt levels and interest rates, combined with higher earnings on short term investments, brings the total comprehensive income up to $5.5 million.

Debt to Debt & Equity is on target for 2014. SaskWater had higher than expected earnings as noted above, and lower than anticipated capital spending, which resulted in lower than expected debt levels.

The 2014 result for O&M Costs per m^3 Sold is slightly off target due in large part to lower than expected water volumes to the potash industry. In 2014, potash industry volumes were down by 2.1 million cubic metres compared to 2013 and down 2.9 million cubic metres from budget. SaskWater's operation expenses in 2014 were also slightly higher than targeted, largely due to higher costs to purchase treated water from other suppliers.

Legend

- ● Exceeded target by 20% or greater
- ○ On target
- ○ Slightly off target by up to 20%
- ● Off target by greater than 20%
- ○ Target information not available

Strategic Objective		Measure	2014 Target	2014 Result	Indicator Light	2015 Target	2016 Target	2017 Target	2018 Target	2019 Target
Increase Customer Base & Service Offerings	5	Number of New Agreements[1]	3	0		N/A	N/A	N/A	N/A	N/A
	6	New Capital Investment to Support Growth[2]	5.1%	4.0%		3.8%	9.0%	14.6%	13.2%	6.9%
	7	New Contracted Flows (L/s)[3]	694	0		N/A	N/A	N/A	N/A	N/A

1 – Measure discontinued for 2015

2 – Measure will change in 2015

3 – Measure discontinued for 2015

SaskWater grows its business by expanding service offerings and increasing its customer base. Three measures are used to capture growth, including Number of New Agreements, New Capital Investment to Support Growth and New Contracted Flows.

SaskWater did not meet the 2014 targets for either the Number of New Agreements or New Contracted Flows measures. The 694 litres per second of contracted flows targeted for 2014 was based on signing an agreement with a large volume customer. That project did not move forward as expected in 2014 as the proponent sought to secure other sources of financing; however, the project is expected to continue to move forward in 2015. Although no new agreements were signed, SaskWater invested its time to build relationships with potential customers who require complex water and/or wastewater solutions. These types of projects can take several years before a Water Supply Agreement is signed.

New Capital Investment to Support Growth shows company growth by taking a percentage of the net capital expenditures to SaskWater's property, plant and equipment. These projects include new customers and current customers who require a service expansion or who need additional services. The 2014 result for this measure is off target. The 2014 target is largely based on an upgrade/ expansion project that started later than planned and was not complete by year end. In 2015, this measure will change to Percentage Investment in New Growth and will include customer discounts and rebates.

Beginning in 2015, Growing the Business will be replaced with a new goal, Customer Driven. The new goal will focus on providing exceptional, innovative service to existing and potential customers. SaskWater will track its progress with the use of measures that look at growth in targeted areas, customer satisfaction, and improving communication timelines with customers. New measures for 2015 include: Percent Municipal Revenue Growth, Percent Industry Served by SaskWater, and Turnaround Timelines for Requests for Service.

Strategic Objective		Measure	2014 Target	2014 Result	Indicator Light	2015 Target	2016 Target	2017 Target	2018 Target	2019 Target
Manage our Infrastructure & Information Resources More Effectively	8	System Reliability Index (see supporting table below)	19.65	19.03	○	19.69	19.69	19.69	19.69	19.69
Develop a More Productive & Innovative Organization	9	Corporate Productivity per FTE (000s)	$366	$380	○	$391	$384	$410	$507	$581
Increase Proactivity & Responsiveness to Customer Needs	10	Water Quality Index (see supporting table below)	0.977	0.961	○	0.977	0.977	0.977	0.977	0.977
	11	Customer Satisfaction Survey	8.30	8.57	○	N/A	8.50	N/A	8.50	N/A
Incorporate Environmental Stewardship in Decision Making	12	Greenhouse Gas Emission (CO^2e in metric tonnes) [1]	569	562	○	N/A	N/A	N/A	N/A	N/A

1 - Measure discontinued for 2015

Legend

- ● Exceeded target by 20% or greater
- ○ On target
- ○ Slightly off target by up to 20%
- ● Off target by greater than 20%
- ○ Target information not available

2014 System Reliability Index Factor Results	
Unplanned Service Interruption Factor (USIF)	1.000
Length of Interruption Factor (LIF)	0.897
Planned Service Interruption Factor (PSIF)	0.909
Water Loss Factor (WLF)	1.000

2014 Water Quality Index Factor Results	
Chlorine	0.998
Turbidity	0.999
Bacteriological Analysis	0.999
Trihalomethanes (THM)	0.846

Providing safe and reliable water and wastewater services efficiently and effectively is fundamental to SaskWater's operations. The corporation tracks its progress in these areas with five measures: System Reliability Index, Corporate Productivity per FTE, Water Quality Index, Customer Satisfaction Survey, and Greenhouse Gas Emissions.

System Reliability Index tracks the reliability of SaskWater's systems and services. This measure incorporates four key factors: unplanned service interruptions (USIF), length of interruptions (LIF), compliance with interruption procedures (PSIF), and water loss (WLF). Each individual factor is given a score out of 1, with 1 being a perfect score. Overall, the 2014 target for System Reliability Index was achieved. SaskWater encountered challenges with the LIF and PSIF factors in 2014. LIF was below target due to three service interruptions during the year that were not able to be resolved within 24 hours. PSIF was met 10 out of 11 times in 2014; however, the one time it was not met was due to re-scheduling that was required because of contractor availability. On the other hand, both unplanned service interruptions and water loss were well below the target, positively impacting the results for USIF and WLF.

As a Crown corporation, SaskWater recognizes the importance of having an efficient workplace and using resources wisely. The Corporate Productivity per FTE measure tracks internal efficiencies by using a ratio of earned revenue to the number of FTEs in the organization. An FTE is all paid hours worked, including overtime hours. The 2014 result for this measure is $380 thousand, which achieved the target.

The corporation works hard to ensure customers receive high quality drinking water. The Water Quality Index includes four factors that gauge the water quality status of SaskWater's 17 potable water systems. The factors chosen for this measure are considered the most critical and are tested more frequently. They include turbidity, trihalomethanes (THM), chlorine, and bacteriological analysis. Similar to the System Reliability Index, each individual factor is given a score out of 1. In 2014, SaskWater encountered minor challenges with THM results associated with transmission systems where SaskWater does not have control over the treatment process; however, overall SaskWater achieved the target for this measure.

SaskWater strives to maintain a high customer satisfaction level. In 2014, a survey was conducted that focused on the importance of water services, customers' overall satisfaction in key areas, and perceptions about cost. SaskWater's overall satisfaction score was 8.57 out of 10. Service reliability, water safety and good customer service are the areas in which respondents feel SaskWater is successful. Areas that customers suggested considering improvements include communication with customers and SaskWater's role as an environmental steward. Going forward, SaskWater will continue to work hard to maintain its high level of customer satisfaction and address the concerns that were brought up in the survey.

SaskWater achieved its Greenhouse Gas target for 2014. Greenhouse Gas Emissions is an efficiency measure that takes a ratio of the company's greenhouse gas (GHG) emissions to total water volumes. Since 2006, SaskWater has reduced its emissions ratio by 13%. Electricity accounted for 81% of the total GHG emissions for the corporation. As this measure is highly influenced by outside factors (the GHG emission ratio of Saskatchewan's electrical power generation system), SaskWater has removed it from the 2015 balanced scorecard.

Strategic Objective		Measure	2014 Target	2014 Result	Indicator Light	2015 Target	2016 Target	2017 Target	2018 Target	2019 Target
Establish a Respectful & Engaging Workplace Environment	13	Employee Engagement Survey	N/A	N/A	○	73%	N/A	74%	N/A	75%
Create a Corporate Culture that Values Excellence in OH&S	14	Safety Index[1] (see supporting table below)	5.82	3.09	●	2.11	1.76	1.45	0.87	0.57
Enhance Recruitment & Retention	15	Percentage of New Diversity Hires	25%	42%	●	29%	29%	29%	29%	29%
	16	Percentage of Youth Employed[2]	60%	47%	○	N/A	N/A	N/A	N/A	N/A

1 – In 2015, the safety index will include a third factor. 2014's target and result only included two factors.

2 – Measure discontinued for 2015

Legend

- ● Exceeded target by 20% or greater
- ○ On target
- ○ Slightly off target by up to 20%
- ● Off target by greater than 20%
- ○ Target information not available

2014 Safety Index Factor Results	
Recordable Injury Rate	4.41
Lost Time Injury Frequency	1.77

Valuing employees emphasizes the importance of SaskWater's employees. SaskWater uses four measures in this area including an Employee Survey, Percentage of Employees Completing their Safety Training to Meet Job Requirements, Percentage of New Diversity Hires and Percentage of Youth Employed.

The Employee Engagement Survey is used to track morale and the effectiveness of management initiatives at SaskWater. The survey is conducted on a biennial basis, with the next survey occurring in 2015.

In 2014, SaskWater introduced a new safety measure that tracks recordable injury rate and lost-time injury frequency. This measure ensures a focus on maintaining a safe work environment at SaskWater, and tracks progress toward the long-term goal of zero workplace injuries. In 2014, there were five recordable injuries and two lost-time injuries. Success in this measure is denoted by lower results. At 3.09, the result for this measure is better than the 2014 target of 5.82.

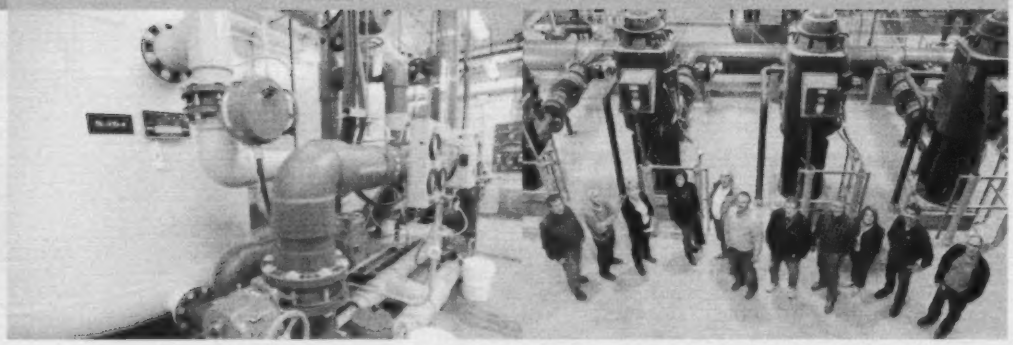
SaskWater recognizes the benefits of creating a diverse workforce. The Percentage of New Diversity Hires measures new hires from four diversity categories (women in under-represented and management groups, Aboriginals, people with disabilities, and visible minorities). SaskWater's 2014 result is 42%, which is well above what was targeted for the year.

The Percentage of New Youth Hires was 47% in 2014, which is slightly lower than the target of 60%. The 2014 target was set using historical data, which has been known to fluctuate between 50% and 70%. This measure represents the corporation's contribution to the retention of Saskatchewan youth in the province and in the workplace. This measure will be discontinued in 2015 to make way for a new measure that tracks employee retention.

SaskWater values its employees as they are the foundation of the organization and are key to the services we provide.

George Magalong, Senior Project Engineer, Jenny Gadd, Administrative Assistant, and Amanda Zarubin, Manager, Human Resources, at SaskWater's headquarters in Moose Jaw.

SaskWater values its employees as they are the foundation of the organization and are key to the services we provide. As part of our commitment to valuing employees, SaskWater is dedicated to employee wellness and safety, and strives to create an inclusive and respectful workplace, offer competitive benefit and wage packages, and provide professional development opportunities.



Strategies

Establish a Respectful and Engaging Workplace Environment

Create a Corporate Culture that Values Excellence in Occupational Health & Safety

Enhance Recruitment and Retention

Employees

At SaskWater, employees are the corporation's most important asset and provide a valuable connection to our customers, industry contacts and the general public.

SaskWater has approximately 122 employees working out of headquarters in Moose Jaw and offices in Regina, Saskatoon and Prince Albert, as well as the locations identified on the systems map on page 6.

SaskWater operates in a unionized environment; 75 of our permanent employees are members of the UNIFOR Union, Local 820.

SaskWater's Tim Jansen Completes Term as WCW President

Western Canada Water (WCW) is an industry association that supports communication, education and training for water professionals across western Canada. The association has more than 4,000 members, including many SaskWater employees.

Tim Jansen, Manager, Major Projects, completed a one year term as president of Western Canada Water in 2014. His final responsibility before handing over the office of president was to chair the WCW annual conference in Regina in September.

Looking back at his year as the association's president, he says their accomplishments include:

- forming closer ties with WCW member organizations by presenting at conferences
- developing a financial plan to ensure WCW has long term sustainability
- setting the ground work to formulate a new strategic plan for the association
- changing the name from Western Canada Water & Wastewater Association to Western Canada Water
- including the Northern Territories in the WCW symbol and starting a new chain of office

"These are some of the highlights. 2014 was a great year, and I appreciate SaskWater's ongoing support to assist me in performing the presidential responsibilities," Tim says.

Award Winners at Western Canada Water

Five SaskWater staff received awards at the Western Canada Water conference in Regina in 2014.

Jeff Mander received the William McKay Honorary Life Award. Jeff retired from SaskWater in 2014 after an almost 35 year career in government.

Shahid Khan received the H.M. Bailey Award, which acknowledges a member of the association who has provided long, faithful and meritorious service to the public in a water or wastewater field.

Rynette Moore-Guillaume received the William D. Hatfield Award from the Western Canada Water Environment Association. This award is presented to operators of wastewater treatment plants for outstanding performance and professionalism.

Tracy Helmink received the Al Reimer Award, which acknowledges an operator who has provided distinguished service to the profession through the provincial operators association. The recipient is recognized for faithful and meritorious service to the public in a waterworks and/or wastewater capacity.

Mark Keller received the George Warren Fuller Award from the Western Canada Section of the American Water and Wastewater Association. This award recognizes individuals for their distinguished service to the water supply field.

Executive Changes

Both of SaskWater's vice presidents who started the year with the corporation reached a milestone in their careers in 2014—they retired. Jeff Mander, Vice President, Operations and Engineering, retired in June after almost 35 years with SaskWater and the provincial government. Marie Alexander, Vice President, Business Development and Corporate Services, retired in August after spending the last eight years of her career with SaskWater.

Eric Light, previously Director of Engineering, became the new Vice President, Operations and Engineering. Eric has more than 29 years of engineering and management experience and has been with SaskWater since 1986. You can read Eric's full bio at the end of this annual report.

Jacquie Gibney became the new Vice President, Business Development and Corporate Services at SaskWater in September. She joined SaskWater from Farm Credit Canada. Her complete bio is also at the end of this report.

Randy Avery, Director, Business Development, Jenny Gadd, Administrative Assistant, and Sherry Wallin, Senior Executive Administrative Assistant.

Diversity

At SaskWater, we understand the importance of a diverse workforce to support our operations and help us continue to be an innovative and forward-looking corporation. Diversity helps us achieve excellent customer relations.

SaskWater supports a representative workforce. Strategies include attraction, retention, training and promotion of the Saskatchewan Human Rights Commission representative categories: women in under-represented positions, visible minorities, First Nations and Métis people, and persons with disabilities.

In 2014, members of these designated equity groups represented more than 27% of SaskWater's workforce, which is consistent with recent years. To further support diversity, we continue to deliver an *Aboriginal Cultural Awareness Program* (ACAP) to SaskWater employees. In 2014, 12 of our employees attended this program.

Our employees also attend *Respect in the Workplace* interactive workshops. Employees develop an understanding of how beliefs and values shape behaviour, and they learn how to bridge differences in the workplace. Eighteen of our employees attended this training in 2014.

The *Building Successful Working Relationships* workshop is the next step in creating a respectful workplace environment. Eleven SaskWater employees participated in this workshop in 2014, as a supplement to *Respect in the Workplace*.

Training

SaskWater encourages and supports training in the areas of ongoing education and professional development for employees. Training is offered to upgrade employee knowledge and skills. This increases organizational effectiveness by raising overall employee performance and engagement.

In 2014, 96 employees took part in training initiatives that included continuing their formal education and attending conferences, workshops, seminars, occupational health and safety and mandatory training for new employees.

Other educational opportunities involve employees utilizing the tuition reimbursement benefit to continue their formal education on their own time. This year, we profile six staff members who completed some aspect of formal training in 2014 to achieve a new degree, designation or level in their professional education.

Completing Her Master's Degree

Danielle Humble-Selinger, Policy & Planning Analyst, completed her Master of Public Administration degree in 2014. She specialized in Public Policy. Danielle took her degree, one course at a time primarily, at the Johnson-Shoyama Graduate School of Public Policy at the University of Regina. Her undergraduate degree, also from the University of Regina, is a Bachelor of Business Administration.

She began the Master's program in the fall of 2007 and completed her degree in the winter semester of 2014. Her graduation ceremony was in June. Danielle worked in the Ministry of Finance and came to SaskWater in 2011 while studying for her degree.

"In grade 12, I decided I wanted to work in government. I've always had an interest in social and environmental issues. I wanted to be able to effect change in government in these areas. After I finished my business degree, it seemed like the natural progression to start my Master's," Danielle says.

She credits her studies with giving her research skills, presentation skills and training for working in teams, all of which she can transfer to her work at SaskWater. She cites her experience in government prior to working at SaskWater as giving her a better understanding of the overall government structure and the administration of government. Danielle's studies have helped enhance her work, as the Policy and Planning unit works closely with Crown Investments Corporation on developing strategy and performance management plans for SaskWater.

And her work benefited her studies. "The experience of work complements what you are learning in school. I could directly apply what I was learning to the work I do at SaskWater," she says. "It is a good thing to be able to work while taking an advanced degree."

The financial support and support overall that SaskWater is able to provide while a person works and takes courses is a huge advantage, she adds. "I don't know if I would have been able to finish my degree if it weren't for the support of my manager and SaskWater," she says.

For now she has no plans to continue on to another degree. "I'm done now, and it feels great," she says.

Education

In the water and wastewater industry, education is important, whether it is teaching youth about how safe drinking water gets to their taps or supporting students in their post-secondary education. Investing in post-secondary education is investing in SaskWater's future employees and the future workforce of Saskatchewan.

SaskWater's scholarships, co-op terms and internships show our commitment to recruiting promising young talent in Saskatchewan. SaskWater also supports the Gradworks program for recent post-secondary graduates, providing a variety of internships each year.

SaskWater continued to offer financial awards for students in the Water Resources Engineering Technology program at Saskatchewan Polytechnic (formerly SIAST). Four awards totalling $10,000 are available, two $2,500 awards for first year students and two $2,500 awards for second year students. One award for each year is open to all students; the second is intended for Aboriginal students to encourage post-secondary education for First Nations.

Dylan Sterzuk was one of the award winners in 2014. "I'm in my fifth and final semester of Water Resources Engineering Technology, and it has helped me out tremendously," Dylan said when he received the award.

Kirsten Lott, Engineer-in-Training, Project Engineer, on site near Lanigan at the pipeline installation on the Zelma East Project.

Community Investment

As one of Saskatchewan's commercial Crown corporations, we embrace our social responsibility to make a positive contribution each year to Saskatchewan communities. In 2014 we sponsored and/or provided promotional items to 86 events in 30 communities.

One of our strategic areas for community investment has been environmental stewardship and support for our First Nations communities. In 2014, we provided support to:

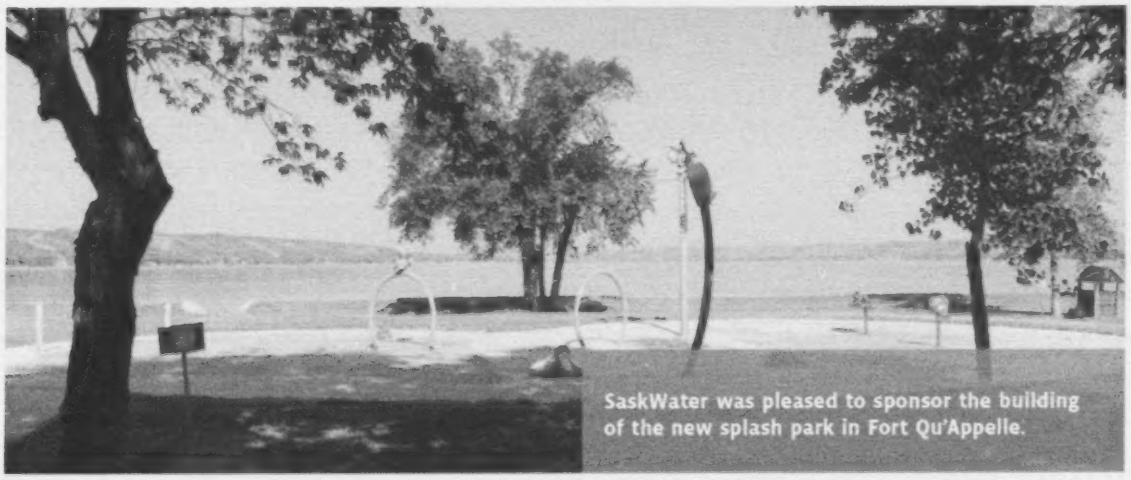
- the Saskatchewan Waste Reduction Council with their 2014 Waste ReForum
- the Graduation Powwow for the University of Saskatchewan
- the 9th Annual Environment Film Festival with the Saskatchewan EcoNetwork
- the Wildlife Rehabilitation Society of Saskatchewan with Gone Wild for Wildlife
- a Science Fair with several First Nations schools, created in partnership with Vale Potash Canada Inc.
- a major sponsorship with the Saskatchewan Chamber of Commerce Awards for Business Excellence with their award for the environment

Furthering education, building relationships and providing knowledge in water technology are key motivators for employees to provide safe and reliable water service to our customers. SaskWater continues to support the Saskatchewan Water and Wastewater Association, Western Canada Water, the Saskatchewan Association of Rural Water Pipelines, the Municipal Infrastructure Conference and the Saskatchewan Economic Development Association.

Supporting the communities that we provide service to is important to SaskWater, and in 2014 we continued to provide sponsorships to several of our customer communities with a wide range of events including:

- the Edenwold Prairie Skies Musical Theatre production
- the splash park in Fort Qu'Appelle
- the Riverhurst Walleye Classic
- the Humboldt Annual Summer Sizzler
- playgrounds and pools in Wakaw, Cupar, Gravelbourg and the Northern Hamlet of Turnor Lake

SaskWater is based in Moose Jaw, and it is important for us to support events and activities where we are headquartered. Our staff takes pride in getting involved with events such as the Telus Cup Hockey Tournament held in Moose Jaw in 2014 as well as the Festival of Trees and the Family First Radiothon each year that raises funds for the Moose Jaw Health Foundation.



SaskWater was pleased to sponsor the building of the new splash park in Fort Qu'Appelle.

Brian Sibley, Project Engineer, at the booster station construction site on the Zelma East project, near Lanigan.

Engineers Without Borders

In 2014, SaskWater partnered with Engineers Without Borders (EWB) for the sixth consecutive year to provide water education to students in SaskWater's customer communities.

SaskWater's sponsorship provides funds to the EWB chapters at the University of Regina and the University of Saskatchewan to support their Youth Venture (YV) program and delivery of *Water for the World* workshops.

More than 550 students participated, as the program completed 22 presentations in eight schools, in seven communities.

The *Water for the World* presentation showcases the importance of water. It highlights issues of water scarcity and purity and why individuals and nations should care about water. The presentation explores Canadian water issues as well as water access issues in developing countries.

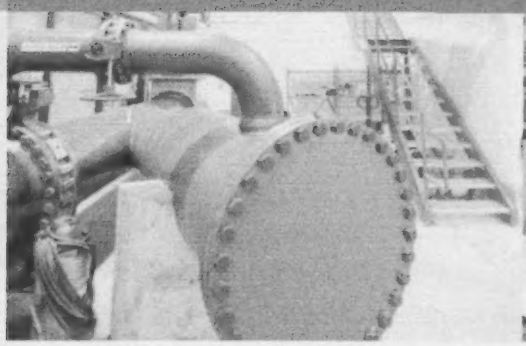
During the interactive workshop, students are assigned a country, and their goal is to build the best water filters using the supplies provided and an amount of money that corresponds to the GDP of their assigned country. As they build the water filter out of a 2-litre pop bottle and layers of sand and gravel, the students discover how water filtration works and learn firsthand about the challenges that face developing countries in their mission to provide safe water for their citizens.

Over the six years of the sponsorship, the EWB *Water for the World* workshops have been presented in approximately 40 communities and to more than 5,000 students.

Providing quality services to our customers is important to SaskWater.

Chris Robart, Manager, Major Projects, at the SaskWater booth during the First Nations Science Fair.

Providing quality services to our customers is important to SaskWater, and we focus our efforts on how we can excel as a business and a service provider. SaskWater will continue to deliver on our promise to provide safe and reliable water and wastewater services to our customers. We do this by having knowledgeable and experienced operators, reliable infrastructure, excellent customer service and professional expertise regarding the provision of water and wastewater services.



Strategies

Manage our Infrastructure and Information Resources More Effectively

Develop a More Productive and Innovative Organization

Increase our Pro-Activity and Responsiveness to Customer Needs

Incorporate Environmental Stewardship in Decision Making

First Nations Youth Science Fair

In May 2014, Vale Potash and SaskWater co-sponsored a First Nations Youth Science Fair at Muscowpetung School. Around 150 grade 6–8 students from Piapot First Nation, Pasqua First Nation, Standing Buffalo First Nation, and Peepeekisis First Nation, as well as several grades from the host school, participated in the fair. There were community Elders present from each of the five communities, and Muscowpetung community members were invited to attend as well.

The focus of the fair was on water resources and the environment. The fair included a wide range of exhibitors, including Vale, SaskWater, Wildlife Federation of Saskatchewan, Engineers Without Borders U of R chapter, File Hills Qu'Appelle Tribal Council, First Nations University of Canada, Moose Jaw Watershed Stewards and the North Saskatchewan River Basin Council.

The students moved in groups to visit each exhibit, complete the activity and receive a stamp in their First Nations Science Fair passport. Once they completed every exhibit station they could enter their name to win prizes.

The event received universally positive feedback from the students.

"I really liked learning how you make pipelines, looking at the germs and bugs in the microscopes and learning about all the creatures that live in the water," said Bradley Episkenew, a Grade 5 student from Muscowpetung. "Water is very important. It's very healthy for you. We need to save it so other people can have some, too."

Bradley went on to say he wanted to be a pipeline engineer when he grows up.

Kisis Cappo, a Grade 7 student from Muscowpetung, said the event was important for the students to attend.

"Kids don't know that when they use too much water that they are actually wasting it and they need it to survive," said Cappo.

Grade 8 student Chenoa Poitras from Pasqua admitted she didn't worry about conserving water before the event.

"I don't conserve water, but after a day like today I will," said Poitras. "It's important because there is only a little bit that is actually consumable."

The First Nations Science Fair was a huge success as it aligned with the teacher objectives and the kids had fun while learning. Vale and SaskWater were proud to foster this event and bring it to Muscowpetung First Nation.

Building Leadership Development Skills

Three SaskWater staff graduated from the Leadership Development Program in 2014. Danny Bollinger, Director, Financial Services, Randy Avery, Director, Business Development, and Darin Orb, Manager, District Operations, successfully completed the professional development program sponsored by SaskEnergy.

The Leadership Development Program provides employees with training to use as they advance into leadership roles within the corporation. It helps prepare them for the challenges and responsibilities they will experience as they progress through their careers.

"Having the opportunity to expand my knowledge and network with a Crown focused program like LDP was invaluable. The program helped me see the workplace and our interactions in a new light. That benefits me and my coworkers and the corporation as a whole," Bollinger says.

Their program ran through 2013. The three received eight days of classroom instruction and completed approximately 200 hours of personal development courses and business project work to receive their certificates.

Danny Bollinger, Director, Financial Services, Randy Avery, Director, Business Development, and Darin Orb, Manager, District Operations, at their graduation ceremony for the Leadership Development Program.

Magazines Feature SaskWater Staff and Projects

To increase SaskWater's profile and media exposure with its target audiences, Corporate Communications has sought opportunities for editorial exposure in trade magazines that reach our customers and suppliers. These features also help position SaskWater as a source of expert information in the water utility industry and reinforce SaskWater's brand.

Key messages in these articles are consistent and include:

- SaskWater provides safe, reliable and sustainable water and wastewater services to residents and industry in Saskatchewan
- SaskWater has always supported economic growth and the people of Saskatchewan
- SaskWater has the expertise to provide professional services to its customers as a partner in supplying their water needs

Magazines in this market have also approached SaskWater to interview our staff for articles that they are writing.

Publications featuring SaskWater in 2014 were: *Energy & Infrastructure, PotashWorks* and *The Pipeline* (the magazine of the Saskatchewan Water and Wastewater Association). SaskWater provided the articles for *PotashWorks* and *The Pipeline,* while a writer from the magazine wrote the article in *Energy & Infrastructure. Western Canada Water* magazine also featured SaskWater prominently in articles about their annual conference in Regina.

These articles generate goodwill and credibility for SaskWater with current and potential customers, raise awareness of SaskWater's role in the province, and support SaskWater's positive reputation.

Municipal Project Award for Town of Cupar

Recognition from your peers is always nice. Sharing that recognition with our customers and partners on a project is even better. SaskWater's work with one of its municipal customers received special recognition with a new award presented at the Western Canada Water (WCW) conference in 2014.

SaskWater and the Town of Cupar received the Exceptional Municipal Water/Wastewater Project Award for the new water treatment plant that opened in 2012. Leonard Kallichuk, Mayor of the Town of Cupar, accepted the award from Robert Haller, Canadian Water and Wastewater Association Executive Director, at the Western Canada Water Conference & Exhibition opening ceremony in Regina on September 24.

WCW established the Exceptional Municipal Water/Wastewater Project Award to recognize the accomplishments of agencies and municipalities. The award is shared between the owner – SaskWater; the customer – The Town of Cupar; the consultant – Associated Engineering; and the contractor – Graham Construction.

We are proud of this project, and we are proud to share this award with our partners.

Efficiency Reporting

Major 2014 Efficiency Initiatives

Electrical savings through pump control efficiencies

Electrical consumption represents the third highest cost to supplying service to customers. In 2012, SaskWater implemented a program to improve the efficiency of the water supply pumps to reduce power consumption. In 2014, two systems were added. In total, SaskWater has four systems using this program. For 2014, total savings were $55,000, helping to reduce cost pressures and minimize the impact on customers' rates.

Fleet Vehicles

SaskWater reassessed its vehicle requirements in response to the need to replace an aging fleet. As a result, several vehicles were replaced by smaller, more fuel efficient vehicles (i.e. ¾ ton trucks to ½ ton trucks). This will result in approximately $12,000 per year in fuel savings. It will also improve productivity as the new fleet will reduce staff downtime associated with repairs and maintenance, improve customer response times and decrease greenhouse gas emissions.

Improving Efficiencies for Certified Operation and Maintenance (COM) customers through SaskWater's Remote Monitoring System

In 2010, SaskWater worked with the regulator to develop Site Visitation Guidelines to recognize remote monitoring as a method of monitoring facilities without having an operator on-site daily. In 2012, the regulator approved the Site Visitation Guidelines, and SaskWater examined COM systems that would be most suited for the program. This remote monitoring program was implemented for one site mid-2014 after receiving approval from the regulator. The potential saving is approximately $17,000 in salary and benefit savings by reducing a part-time operator position.

Three additional sites are awaiting regulatory approval. The benefits from this program are reduced staff time and travel costs and increased efficiency of operating the systems. COM customers will benefit directly through savings on their bills.

Staff and board members tour the Buffalo Pound Lake Pump Station (K+S).

Collaboration with Other Crowns and the Private Sector

Joint initiatives with other Crown corporations create efficiencies for SaskWater. In 2014, these collaborations included:

- remote monitoring services through SaskEnergy/TransGas
- participation in SaskEnergy's Leadership Development Training Program. Management personnel are attending the leadership program designed by SaskEnergy rather than developing an in-house training program
- utilizing SGI's Audience Response Technology to facilitate a corporate culture of open communication and dialogue
- SaskWater obtains IT, payroll, GIS and mapping services from the Water Security Agency, thereby increasing the cost effectiveness for each agency
- coordination and participation in the Crown Leadership Luncheon where senior managers from all Crowns have the opportunity to network and receive leadership training

Collaboration with the private sector also creates efficiencies for the corporation. In 2014, these included:

- private sector participation by third party contractors including major engineering design and construction works
- SaskWater joined the Contractor Safety Awareness Association (CSAA). SaskWater's crossing contact information is circulated by CSAA to approximately 24,000 contractors, cities, towns, rural municipalities and first responders to prevent damage to infrastructure

2015 Efficiency Initiatives

SaskWater will continue to maintain its focus on business and operational efficiencies to limit the impact of cost increases on our water and wastewater services. SaskWater takes an approach that encourages efficiencies and innovation at the employee level and has been experiencing success. In addition to continuing the initiatives identified above, efficiency strategies include:

- improving the tracking of efficiencies to quantify total efficiency savings
- evaluating a new meter reading system and implement for efficiency and data accuracy purposes
- improving customer response times related to conceptual engineering information
- developing a standardized project management framework to guide the project management process at SaskWater
- reviewing our procurement processes for efficiencies and effectiveness
- operating the Water Security Agency's provincial spill line related to water issues through SaskWater's 24/7 remote monitoring centre. Existing staff provide this service

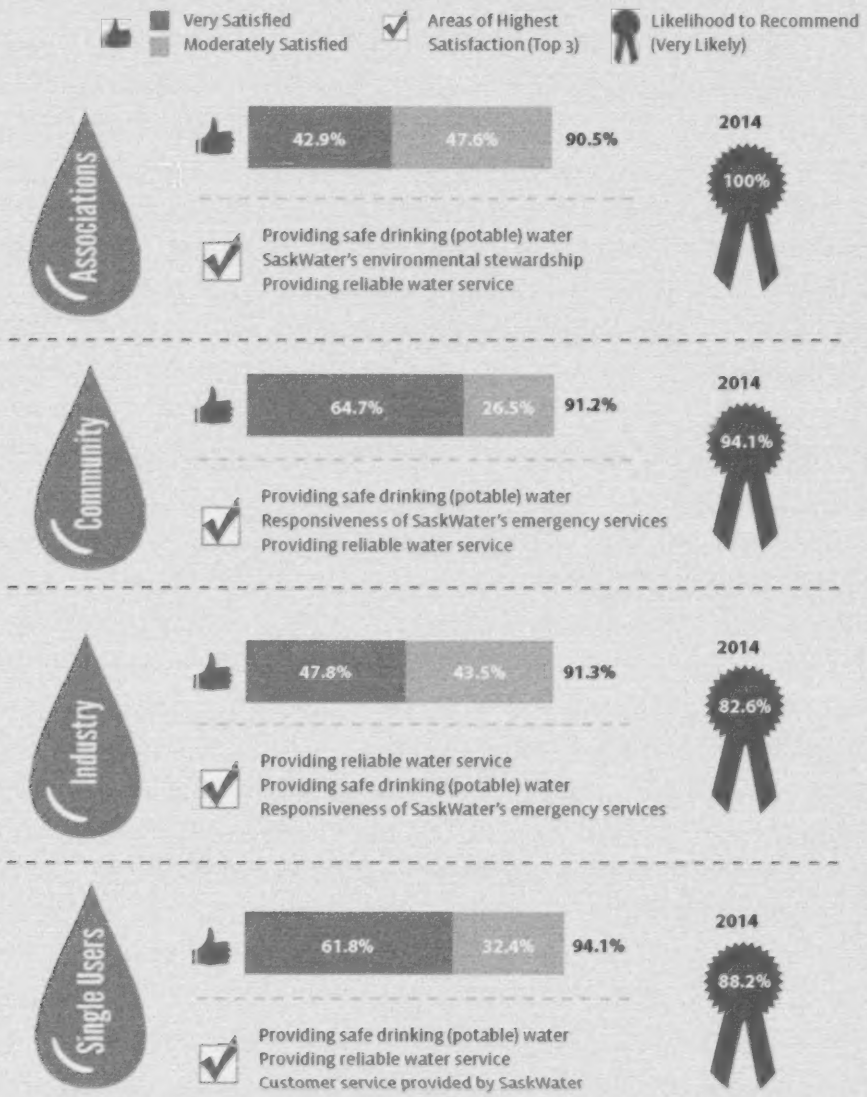
Customer Satisfaction Survey

SaskWater conducts a satisfaction and perception study biennially. In 2014, Insightrix Research was contracted to complete the survey with the following objectives:

- measure the importance of water services among customers
- assess overall satisfaction with SaskWater and various aspects of services
- help us understand customer perceptions of how SaskWater services are paid for
- collect suggestions on how to enhance SaskWater services

A total of 112 customers provided feedback, representing associations, industry, communities and single users. Overall satisfaction remains strong with 92% of customers being satisfied. According to Insightrix, the research study illustrates that the

Overall Satisfaction



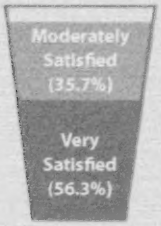
large majority of things are going in the right direction for SaskWater. Satisfaction and likelihood to recommend are holding steady while impressions of fair pricing are improving.

"As a first point of contact for many of our customers, it is a good feeling to know they can pick up the phone and quickly talk to a live person who is genuinely interested in helping them with their questions or concerns.

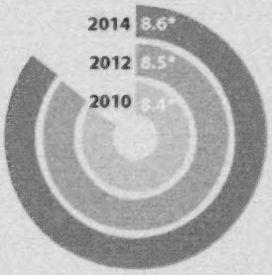
"Coming in to work every day is enjoyable because of the interaction with our great customers and talented team at SaskWater."

Shauna McClinton,
SaskWater Customer Service
(since 2006)

Overall Satisfaction



Overall satisfaction remains strong (92% of customers are satisfied.)



Areas of Highest Satisfaction*

Perception of Fair Prices

Customers continue to believe that SaskWater prices are fair.

Those who rated 7 to 10

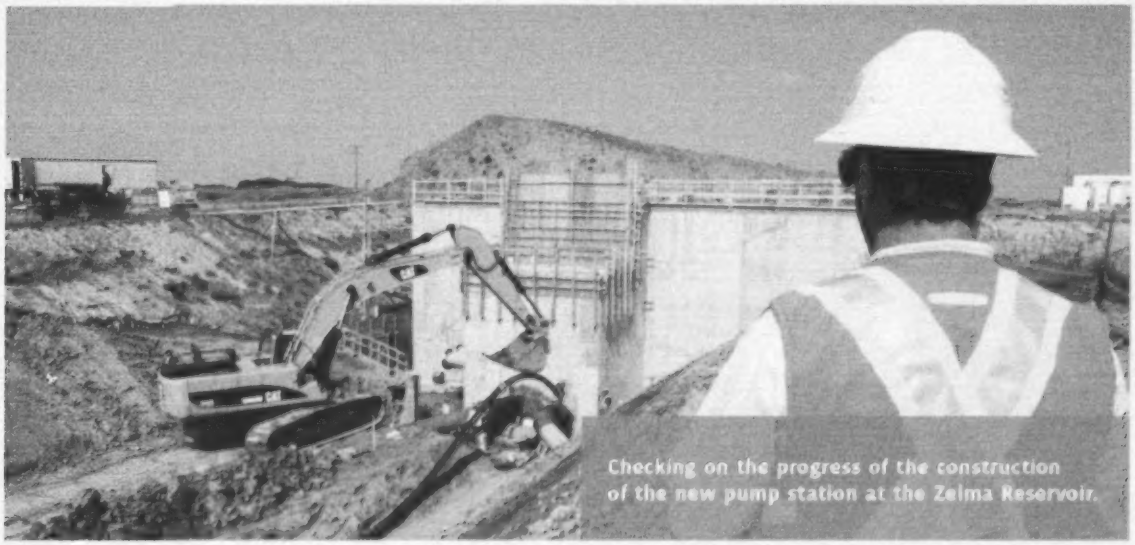
Level of Agreement with Cost Distribution

Customers are more likely to say that residents and industry should pay the full cost of water treatment and distribution.

* Average on 10 point scale

Likelihood to Recommend SaskWater

The likelihood to recommend SaskWater remains high.



Checking on the progress of the construction of the new pump station at the Zelma Reservoir.

Safety is a Priority

SaskWater is a charter member of Safe Saskatchewan and is committed to a safety program that values its employees and a safe work environment.

In 2014, we implemented a new Safety Index that measures occupational health and safety within the corporation. Details of the Safety Index can be found in the Balanced Scorecard under Valuing Employees. For 2015, we are expanding the Safety Index to include safety training as a scorecard measure.

Our three Occupational Health and Safety Committees and the Manager, OH&S, coordinated the development of Safe Work Practices and Safe Job Procedures for the corporation. All of these documents were developed with the safety of our workforce as the priority. They also ensure that SaskWater is meeting all legislated occupational health and safety requirements.

Asset Refurbishment

The Saskatoon South East Water Supply system (SSEWS) canal was constructed back in the 1960s and is used to convey water to three potash mines, PCS Allan, Mosaic Colonsay and PCS Lanigan, and to several communities, including Broderick, Viscount, Guernsey and Lanigan. Many of the bridges, culverts and other structures along the route of the canal are almost 50 years old and are either nearing the end of their useful life or in need of major repairs.

SaskWater hired a consultant who completed a condition assessment study in January 2012. We are using this study to assist in prioritizing infrastructure replacement. We have initiated a multi-year program to replace or repair these structures. Two structures were replaced in 2013: a bridge in the RM of Rudy and a wooden box culvert in the RM of Blucher. Four bridges in the RM of Rosedale were replaced in 2014.

We have selected an additional five structures for replacement, with design work completed in the fall of 2014 and installation to begin in 2015.

A total of $8.5 million has been targeted in the five-year capital plan to continue rehabilitation of the system.

Launching a New Website

SaskWater's website was overdue for a redesign to serve our customers more effectively. Its design and functionality were not current with Internet trends or best practices. A new website was a priority under the corporation's Achieving Business Excellence strategic objective for 2014. SaskWater began the process of redesigning the site in 2013 and launched the new site in May 2014.

We formed a website committee with representatives from each business unit to provide input on updating the new site. The redesign includes a content management system that puts control of the site in the hands of Corporate Communications.

The careers section is a major focus of the new site since our research showed us that employment searches were the number one use of the old site. We are confident that improvements to the site will continue to serve this audience effectively.

Our communications objectives around the updated website were to convey to our current customers that we can serve them better with the information on our new site, to increase awareness for our potential customers that they can use the website to learn about our services and to increase site visits by 10% in the first six months.

At the end of November, our analysis showed that page views increased 13%, the number of users increased 29%, sessions increased 25% and the average time people spent on each page increased 16%.

We concluded that people are finding the information they are seeking more easily, requiring less time and fewer pages to search, and that users are accessing a wider variety of pages on the new website.

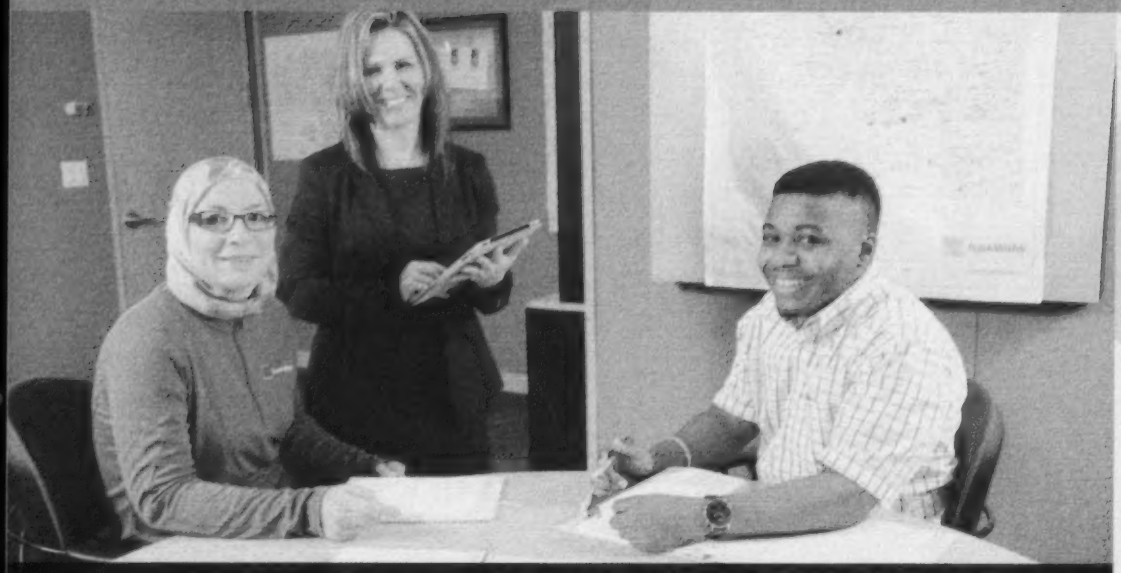
Strategic Planning

In early 2014, SaskWater undertook a comprehensive strategic planning process to set the direction for the corporation for 2015 through 2020. This strategic plan will establish, communicate and drive our organization's priorities and strategies for the next five years. While we developed this plan in 2014, it is intended to be dynamic and adjust to an ever-changing environment. SaskWater and the Board of Directors will review the plan annually and make changes as required.

We developed the new strategic plan taking into account issues that our customers, stakeholders and employees deemed important. Executive management and a cross corporate group of employees prepared the plan under the guidance and oversight of the Board of Directors. The new strategic plan emphasizes focusing on our customers to enhance the services we offer, growing and diversifying our business and services and improving our competitiveness.

In 2015, SaskWater's corporate strategy will be the roadmap to achieving our long-term vision of being the best at connecting water for life and growth and partnering for a better tomorrow. The strategy is founded on our values: integrity, professionalism, teamwork, safety, innovation and the environment; and on our mission to provide safe, reliable and sustainable water and wastewater services for Saskatchewan. Four strategic goals, Customer Driven, Pursuing Excellence, Valuing Employees, and Succeeding Financially will set the focus, priorities and direction of our organization into the future.

Growth is a key factor to SaskWater's long term success.



Heba Desouky, Senior Project Engineer, Special Projects, Rynette Moore-Guillaume, Director, Operations, and Olagoke Rufai, Project Engineer (Gradworks) meet at SaskWater's headquarters in Moose Jaw.

Growth is a key factor to SaskWater's long term success. SaskWater is focusing on growth in areas that support both the growing province and the corporation's goal to be financially sustainable. SaskWater is working with several industrial and municipal customers to develop new water infrastructure. This infrastructure will be able to support the needs of these customers now and into the future.

Zelma East Project – Building Capacity for Communities

The Zelma East Project to supply non-potable water to BHP Billiton's (BHPB) Jansen Mine site is also helping build capacity for nearby communities. Improvements to the overall water supply system will bring benefits to these communities for years to come.

SaskWater signed a Water Supply Agreement with BHPB and broke ground on the construction of the water supply system in 2012. The water supply system consists of a new intake and pump station at the Zelma Reservoir on the Saskatoon Southeast Water Supply (SSEWS) system, 94 kilometres of pipeline and a booster pump station. The project also includes upgrades to the SSEWS canal that are required to maximize the canal's flow.

Construction progress in 2014 included completion of two segments of the project. The fabrication of the pipe supply for both the 600 mm and 750 mm pipe is complete, and the installation of the 34 kilometres of the 600 mm pipeline was nearing completion by the end of the year. Pressure testing of this section will commence in 2015.

The 750 mm pipeline installation is also nearing completion with only 13 kilometres of the 58 kilometres pipeline left to install.

By the end of 2014, the booster pump station and the meter building were ready to have the mechanical and electrical components installed. We completed intake work at the Zelma Pump Station. The superstructure of the pump station is in place for the mechanical and electrical work as well.

SaskWater held five open houses in 2014 to keep the public informed and get feedback on the project.

The project also saw eight of the 13 kilometres of the canal that will be updated reconstructed in 2014. They were reshaped to accommodate a 15% increase in flows to the Zelma Reservoir. Armouring—putting rock on the sides to minimize grass growth—was included in this work. We extended the First Nations environmental monitor program to include the work on the canal as well as the pipeline installation.

For the Zelma Dam, we completed geo-technical investigations for construction and design to store an increased 0.3 m of water in the reservoir.

SaskWater held five open houses in 2014 to keep the public informed and get feedback on the project. They took place in Lanigan, Viscount, Guernsey and two in Young.

Service Expansion for White City

SaskWater is expanding the non-potable water supply system servicing White City. The expansion is happening in phases to align capital spending with projected population growth.

Phase one of the work includes upgrades to the program automations, twinning four kilometres of the non-potable pipeline to the water treatment plant, adding reservoir storage and filter capacity and increasing the treatment plant size.

The work we completed at the water treatment plant in 2013 increased the treatment capacity by 60%, which allowed the community to lift all water restrictions that had been in place. White City had rationed water every summer since 2007, and council and residents were anxious to see the project proceed.

The work to expand the water treatment plant, storage reservoir and filter capacity was awarded in April 2014 and is expected to be complete by mid-2015.

Challenges with the supply and installation of the new pipeline resulted in delays in 2014. We are committed to ensuring these delays will not affect our customer or our ability to provide them with safe and reliable water service.

Based on previous consumption patterns, after completion of phase one of construction, the water supply system should be able to support a population of 3,500 people, or approximately 50% more than when the project began.

SaskWater and the White City town council will jointly determine the next phase of construction based on community growth. This is not expected before 2016. After the next phase of expansion, SaskWater estimates the water supply system should be able to support a population of approximately 5,500.

The 600 mm pipeline installation, Zelma East Project, not far from the Jansen Mine site.

Earning their Canadian Professional Engineers Designation

Two SaskWater employees achieved their Canadian Professional Engineer designation in 2014. Heba Desouky and Antony Vinotharajah both received their P.Eng. after meeting all the criteria of the Association of Professional Engineers & Geoscientists of Saskatchewan (APEGS).

Those rigorous requirements include a minimum of four years of work experience, at least one of them in Canada, passing the Professional Practice Exam, having three references who are themselves professional engineers or geoscientists, as well as meeting other relevant competencies. The designation is an important milestone in an engineer's career and a crucial qualification for doing the work we do at SaskWater.

"You can work in engineering without a licence, but you must work under the supervision of a professional engineer who takes responsibility for your work. You cannot take public or private responsibility for your own work, or be in charge of the engineering work you do, until you have been licensed as a P.Eng. by the engineering licensing body in the province or territory where you work," Heba explains.

Heba joined SaskWater in December 2012 as a Senior Project Engineer. She has a Bachelor of Civil Engineering degree from Cairo University and a Master's degree in Construction Management from the University of Cincinnati.

"Having the opportunity to work for SaskWater helped me gain the one year Canadian experience that was required for having my P.Eng. The support that I had from my supervisor and the help of my colleagues as my references helped in achieving my P.Eng. designation," Heba adds. She received her approval from APEGS as a P.Eng. in May.

Antony came to Canada from Sri Lanka in 2012 with 17 years of experience as a professional engineer in the water resource industry. He joined SaskWater in May 2013. His P.Eng. follows his Bachelor in Civil Engineering degree from University of Moratuwa, Sri Lanka, and a Master of Science degree in Hydraulic Engineering from Institute for Infrastructural, Hydraulic, and Environmental Engineering Delft, the Netherlands. Antony received his approval from APEGS in July.

Expanding the Echo Regional Wastewater System

The Echo Regional Wastewater System requires an expansion to continue to serve its growing customer base.

SaskWater awarded the contract to complete the expansion with work starting in September. The project was to be completed before winter. However, Saskatchewan experienced a wet year, and excess soil moisture content delayed the berm construction. With drying conditions no longer favourable by the end of the construction season, we had to extend the completion date to June 2015.

Once temperatures were below zero, construction of the embankment was not possible; however, work continues on raising the existing dike, filling in low areas of the new cell floor and stockpiling material for construction to resume in spring. Due to the relatively high water level in the lagoon and anticipated rise in the spring, SaskWater is raising the existing dike by 0.5 metre to provide adequate freeboard in 2015 while the expansion is being completed.

One of the challenges in this system is that storm water in Fort Qu'Appelle also enters the sewage system, compounding the flows that are pumped to the lagoon. This system is an evaporative process and is not designed to release effluent to any body of water.

Construction of the intake at the new pump station at the Zelma Reservoir.

Belle Plaine Industrial Corridor Work Continues

SaskWater's Major Projects Unit continues to work on the development of a new regional non-potable water supply system from Buffalo Pound Lake to the Belle Plaine industrial corridor and a mine near Kronau proposed by Vale Potash Canada Ltd. (Vale). We completed the Front End Engineering Design of the proposed system in the first half of 2014.

A comprehensive Environmental Impact Assessment was also completed and submitted to the Ministry of Environment for review and approval in the fall of 2014. As part of the review process, the Ministry prescribed a 60 day public review period which will be completed in the middle of February 2015. SaskWater anticipates that regulatory approvals will be completed by the end of the second quarter of 2015.

In August, Vale advised SaskWater that they have approved proceeding to the next phase of their feasibility analysis and that approval for mine construction is expected in the first half of 2016. This decision will determine the outcome of any projected construction schedule.

The project's outlook for 2015 includes continuing the work on the detailed engineering design of the proposed system, finalizing easement acquisition for the proposed pipeline and the submission of final preconstruction cost estimates to Vale by early June. Additionally, SaskWater continues discussions with Vale to finalize a potential construction schedule and the terms of a water supply agreement.

SaskWater hosted three more open houses in 2014, in Moose Jaw and Pense and with the Buffalo Pound Community Council, to inform the interested public about this project.

SaskWater currently provides non-potable water from Buffalo Pound Lake to Belle Plaine. This water supply system is fully allocated to existing customers. Construction of a new water supply system is dependent on a major customer signing a water supply agreement with SaskWater. We are continuing to work with other potential customers who might be interested in this new non-potable water supply system.

SaskWater's goal is to be
financially sustainable and
increase corporate equity annually.

Daryl Bunnell, Senior Project Engineer, Construction and Maintenance Engineering.

SaskWater's goal is to be financially sustainable and increase corporate equity annually. To achieve this, SaskWater has been focusing on improving revenues annually by implementing new efficiency programs and ensuring that customer's rates are aligned with the cost to provide service.

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) discusses key influences on SaskWater's operations and financial performance, the 2014 results, the outlook for 2015 and key issues and strategies in risk management. The MD&A should be read in conjunction with the audited financial statements for the year ending December 31, 2014.

Key Influences

SaskWater is a commercial Crown corporation operating as a water utility. SaskWater does not operate with a legislated monopoly mandate. The corporation's activities are confined to the province of Saskatchewan in accordance with the government's SaskFirst Investment Policy.

The water utility environment is typically characterized by high capital investment costs and low commodity prices, especially relative to other commodities distributed through pipelines. Therefore large volumes of water and achieving efficiencies or economies of scale are important for the success of the business.

SaskWater's two primary lines of business are the provision of potable and non-potable water.

Non-potable water comprises approximately 81% of the total water distributed in 2014, and the top ten industrial customers accounted for 97% of that volume. Their large water volume requirements for processing help support the cost of building and maintaining the infrastructure which typically is several kilometres from urban areas.

Potable water comprises the remaining 19% of water distributed in 2014 with 83% of this volume distributed through regional pipelines around Saskatoon, Wakaw-Humboldt and Melfort. Regional systems allow for economies of scale and optimize the design and cost of treatment facilities, operating costs and the use of qualified operators.

SaskWater has focused significant efforts on growing the business in recent years and this emphasis is expected to continue. There are challenges and opportunities for growth in the current environment.

Some of the biggest challenges include the sporadic timing and location decisions of potential new customer opportunities.

Potash mines are large industrial customers that represent a large portion of SaskWater's non-potable water volumes. SaskWater currently serves six of the ten producing mines in the province. Five of the existing mines have been customers going back to the 1960s. SaskWater began service to the sixth mine in 2011, after constructing a new water supply system that would also meet the increased flows for a mine expansion. It has been approximately

40 years since a new potash mine has come into service in the province.

Most other large volume water users, including the agri-value and manufacturing sectors, tend to locate inside or very close to municipalities that can provide service from their own water supply systems. An exception to this would be irrigation farmers who use a significant amount of water; however, those producers are for the most part served by irrigation districts.

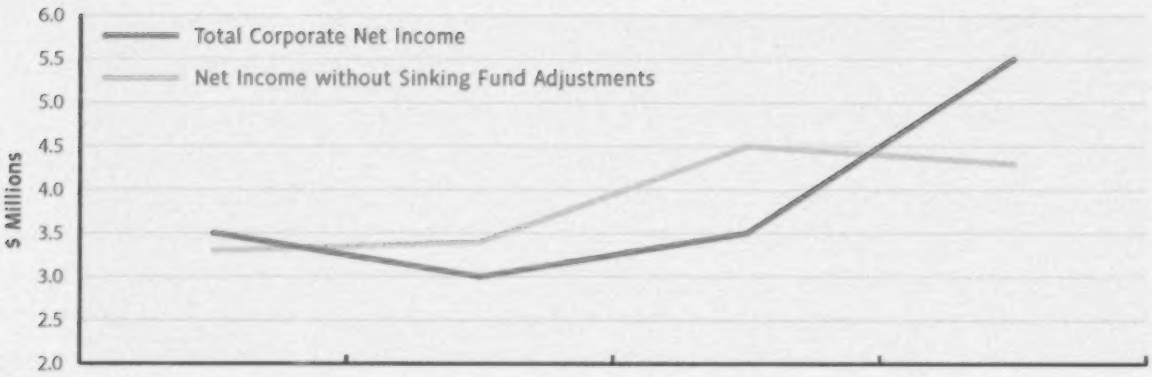
SaskWater has also been slowly building its municipal customer base. Currently the corporation provides water to communities that represent approximately 72,000 people, or 6% of the population of the province.

By the time SaskWater came into existence, including its predecessor the Saskatchewan Water Supply Board in 1966, Saskatchewan communities already had their own water and wastewater facilities. These facilities are typically long-life assets that can also be refurbished and expanded to extend their useful lives. Therefore, the opportunity to provide water utility services to municipalities tends to arise infrequently. Service opportunities typically develop if the previous facilities are nearing the end of their useful lives, the community has outgrown their facilities and is seeking a financial partner or because the community has concerns with the ability to attract and retain certified operators to run the facilities. Municipal opportunities also tend to be dependent on the availability of government grant programs to reduce the cost to residents.

Some of the opportunities for SaskWater relate to the strong performance of the provincial economy in recent years and the infrastructure deficit now facing municipalities. Potash mines in Saskatchewan have undergone significant expansions and two new potash mines are now under construction. SaskWater has signed water supply agreements with both of these new mines. In addition, SaskWater provides pre-construction engineering services for potential potash entrants while they undertake their feasibility analysis.

The strong economy has also lead to a significant increase in the provincial population, including communities served by SaskWater. This growth, together with infrastructure life cycle challenges, has many communities looking for new cost effective solutions. Furthermore, the New Building Canada Fund grant program is expected to be available beginning in 2015 and communities are eager to take advantage of the funding assistance.

SaskWater has found success in operating in the industry by maintaining a strong staff knowledge base and focusing on excellent customer service. SaskWater works with its partners to stay abreast of potential economic development opportunities and the needs of Saskatchewan municipalities. Seeking opportunities to build new large scale or regional systems and adding customers to existing systems has been and will continue to be an important factor in achieving financial success.



Earnings for 2014 are $5.5 million, including an unrealized gain on debt retirement funds of $1.2 million. Total revenues increased by $1.6 million or 3.8% to $43.9 million in 2014, up from $42.3 million in 2013.

2014 Results

SaskWater's financial results over the last four years in particular have improved significantly, generating a combined net income of $15.5 million. As earnings have increased, SaskWater has paid down its net debt, both through retirements at maturity and by contributing to debt retirement or sinking funds. Accounting provisions require the corporation to value its debt retirement funds at market at each reporting period and record unrealized gains or losses into income each year.

The above chart indicates the total comprehensive income earned by the corporation and the adjusted income if the unrealized gains and losses were removed. The sinking fund adjustments have created more volatility in the corporation's earnings; however, the chart indicates that earnings from operations have been more stable.

Revenues from water sales and treatment in 2014 increased by 4.1%, largely as a result of rate adjustments. Potable water volumes were down by 1% from 2013, due to wet conditions which reduced water needed for outdoor uses. Non-potable water volumes were down by 7%, largely due to one major industrial customer responding to market and business factors impacting its industry. The decrease in water volumes for that customer had minimal impact on the corporation's net earnings due to provisions in the contract that protect SaskWater's interests.

Revenues from other services includes project management engineering, providing certified operators to customers who retain ownership of their infrastructure, and training and support to First Nations communities. Revenue from these services increased 6.4% in 2014 largely due to increased engineering requirements.

Total expenses increased by $2.1 million or 5.8% to $38.4 million in 2014, up from $36.3 million in 2013.

Operations Maintenance and Administration expense increased by $877,000 over 2014. Approximately $349,000 of this amount was related to the increased workload required to generate the additional services revenue. Most of the remainder is due to a change in the onerous contract provision discussed below.

SaskWater annually assesses each of its water supply systems to determine if the forecasted future revenues will be sufficient to cover forecasted future expenses. If the estimated expenses are expected to exceed revenues then an onerous contract provision is established for the discounted amount of the future losses. This amount is amortized against expenses

over the remaining term of the contract. SaskWater has identified two systems with onerous contracts. In 2013, SaskWater determined that the future loss amount was overstated. This was adjusted by reducing Operations, Maintenance and Administration expenses by a net amount of $512,000 more than related amortization of the onerous contracts in 2014. Had the adjustment not been required in 2013, total expenses in 2014 would have been only $1.6 million more than the previous year.

Bulk water purchases are amounts paid to buy potable water from other treatment plants and then distributed to SaskWater customers in lieu of SaskWater building its own water treatment plant. These are largely paid to the City of Saskatoon with some purchases also from the Buffalo Pound Water Treatment Administration Board, the City of Regina and the City of Moose Jaw. Bulk water purchases were $629,000 or 10.9% higher in 2014, primarily due to rate increases applied by other treatment plant operators.

Salaries and benefits increased by $803,000 or 7.3% in 2014. The increase was a combination of salary adjustments and resourcing adjustments to meet service needs.

Net finance expense is $2.5 million less in 2014. Of this amount, $2.3 million is due to unrealized changes in the market value of debt retirement funds. In 2013, SaskWater reported unrealized losses of $1.047 million which increased finance expense, while in 2014 unrealized gains of $1.229 million reduced finance expense. Most of the remaining savings in net finance expense is attributable to the maturity of part of SaskWater's long term debt at the end of 2013.

Capital Investment

In 2014, $81.2M was spent on capital projects including new construction and expansion, existing infrastructure refurbishment and asset management programs. SaskWater invested $9.3M from its own source funds and the remainder was received from customers as contributions in aid of capital. Significant projects include:

- design and construction of the Zelma East Non-Potable Water Supply System to supply water for the BHP Billiton Jansen potash mine
- design and construction of the Saskatoon Potable Water Supply System – East – steel pipeline replacement project. This project is replacing eight kilometres of aging steel pipeline with a ductile iron pipeline as part of SaskWater's ongoing asset management program
- design and construction of the White City Potable Water Supply System – White City Water Treatment Plant Reservoir Expansion to increase potable water storage and treatment capacity to accommodate growth in White City; and,
- design and construction of structure replacements in the Saskatoon Southeast Water Supply system as part of SaskWater's ongoing asset management program

Key Financial Data

- assets total $316.4M (2013 – $223.9M)
- return on equity (net income as a percentage of equity) is 11.3%
- debt ratio (debt as a percentage of debt plus equity) is 45.0%
- SaskWater did not declare a dividend to CIC in 2014

2015 Outlook

SaskWater expects total revenues from all lines of business to increase by $3.3M to $45.5M (7.8%) as a result of continued growth from municipal potable customers and increased industrial water usage.

The corporation has budgeted a net income of $4.7 million for 2015.

SaskWater anticipates declaring a dividend for the first time in 2015 equal to 25% of profits or approximately $1.2M.

SaskWater expects to invest a maximum of $14.7M net (*$100.1M gross, with the difference made up from customer contributions in aid of capital*) in water and wastewater infrastructure projects in the province. Investments include:

- SSEWS Structure Replacements
- SSEWS Zelma East (BHPB) Pump Station, Booster Station and Pipeline
- SSEWS Canal Improvements
- SSEWS Manitou Re-lift Station Upgrades
- White City Potable Water Treatment Plant Reservoir Growth
- General Asset Management Projects
- depending on the outcome of grant applications, SaskWater may be doing preliminary engineering on several projects for new and existing customers

Future Accounting Changes

The following standards and amendments to standards have been issued but are not effective for the year ended December 31, 2014:

- IFRS 9 Financial Instruments, effective January 1, 2018
- IFRS 15 Revenue from Contracts with Customers, effective January 1, 2017

The extent of the impact of these new standards and amendments to standards is not known at this time.

Risk Management

Providing safe, reliable and sustainable water and wastewater services is subject to risks that can affect the achievement of corporate goals and objectives, including financial and operating performance.

SaskWater manages its risks through an Enterprise Risk Management (ERM) program to ensure that sound risk management practices are in place to minimize the impact of risks and enable corporate performance to achieve business goals and objectives. To ensure consistent risk management practices are in place, SaskWater has implemented a Risk Management Policy that establishes the roles and responsibilities of various individuals throughout the organization and provides a general strategy to manage risks.

The Executive Management Committee is responsible for formally identifying the risks that impact the corporation's strategic plan and putting in place the appropriate mitigation measures to ensure those risks are managed. The Board of Directors provides oversight and stewardship to the corporation. The Board establishes the appropriate policies and procedures for the corporation and ensures that an acceptable risk management program is in place. The Board receives an annual report from the executive that provides a broad view of the top corporate risks and how those risks are being mitigated.

The following outlines the major risks we have identified and the strategies to deal with them.

Financial Dependence on Industrial Customers

Over the last few years, SaskWater has been focusing its attention on industrial growth to capitalize on opportunities that occur infrequently. However, this growth has resulted in the corporation having a greater revenue dependence on the industrial sector, leaving SaskWater vulnerable to industrial market swings. A portion of the company's revenues is concentrated in a few large industrial customers and SaskWater's revenues are thus susceptible to fluctuations in volume usage, particularly during times of periodic shutdowns from these customers, due to the nature of SaskWater's volumetric based rates.

SaskWater uses strategies to mitigate this risk, including:

- business development activities focusing on expanding the customer base in other areas with an emphasis on leveraging existing regional water supply systems
- an annual review of corporate service rates using an industry standard cost of service methodology
- minimum purchase requirements in contracts are applied to offset the effect of volatility in service needs
- a corporate culture reinforcing a need for cost efficient operations

Contamination of Potable Water Supplies

Water is a fundamental requirement for life and there is a high inherent risk to the public's health if contamination of water supplies were to occur. Contamination of water supplies could result in multiple health related issues, severe illness and, in the worst case scenario, death.

Contamination can be caused by numerous factors, some of which include inadequate or inappropriate treatment processes, failure to maintain appropriate levels of residual chlorine in water supplies before consumption or external contaminants entering treated water systems such as may occur from broken water lines or depressurization.

Consequently, water is a highly regulated resource and any issue requires an urgent response. If a contamination were to occur, services might be either suspended or reduced until the contamination was cleared.

SaskWater's operations are regulated with stringent water treatment standards and controls covering the quality of treated water, the number, frequency and form of water quality tests and mandatory improvement to the water treatment processes if required. SaskWater meets or exceeds the regulatory requirements for treatment on all of its potable water supply systems to ensure the health and safety of customers.

Other mitigation strategies include:

- a corporate Water Quality Policy is in place, whereby the corporation is required to meet or exceed provincial water quality regulations at its owned water treatment and supply facilities and COM sites

- extensive water quality testing and reporting
- ensuring system operators meet or exceed the regulatory requirements for education and training
- working closely with the regulatory agencies regarding SaskWater's water works infrastructure and participating in consultations with respect to potential future regulatory changes
- a remote monitoring system that is operated 24 hours a day, 365 days a year, to augment manual operations and provide instant alarms in case of problems
- having customer notification procedures in place to notify customers regarding precautionary drinking water advisories or boil water orders
- researching, testing and implementing new technologies and techniques to improve the quality of source and drinking water
- having Quality Control and Quality Assurance and emergency response plans in place
- day to day management oversight of facilities

Compacting the initial backfill on the 600 mm pipeline installation, Zelma East Project.

Attraction and Retention of Experienced Employees

Providing water services requires a highly trained and committed workforce with a wide range of skills. The success of the corporation depends on the individual and collective contributions of its employees. The loss of the services of any experienced employee or the inability to hire and retain experienced employees could harm the business, its financial condition and the ability to operate effectively.

The growing Saskatchewan economy has resulted in a competitive market which has increased the pressures of retention and recruitment of staff. For example, provincially, there is a shortage of qualified operators as there are significantly fewer new students entering the operator program than individuals retiring. The other challenge is finding staff with the required experience, regardless of job position. Attracting staff to rural areas also presents a challenge as many prefer to pursue job opportunities in the larger centres such as Saskatoon and Regina.

SaskWater manages this risk by:

- promoting its commitment to training staff
- recruiting youth through the Co-op student and Gradworks programs
- maintaining a competitive remuneration package
- having a commitment to a safe work environment
- implementing employee performance management systems designed to link corporate objectives with individual work plans and to provide constructive feedback on performance
- implementing succession planning, including cross training opportunities for staff

Occupational Health and Safety

SaskWater's operations staff are exposed to safety risks, including (but not limited to), confined spaces, working with hazardous chemicals and working with high voltage electrical facilities where water is located. If SaskWater does not provide adequate safety measures such as appropriate internal procedures, training and safety equipment, staff will be at risk. SaskWater's contractors and engineering staff are exposed to construction safety risks during the construction of water supply systems.

SaskWater is responsible for ensuring that all safety requirements are being met. Where safety measures are not met, we run the risk of regulatory fines, negative impact to reputation or finances and litigation.

We manage this risk through:

- our health and safety program which is guided by policies and procedures that outline safety requirements such as personal protective equipment
- a health and safety committee managed through a dedicated Occupational Health and Safety Manager
- identifying corporate health and safety requirements of staff and contractors

Secure Water Supplies

The availability of a secure supply of quality source water can impact service delivery to customers. Issues that may arise as a result of the supply of source water may require infrastructure upgrades and/or an alternate supply of water.

A secure supply of water can be affected by contamination of the source water, climate change, weather conditions, competing uses resulting in decreased availability and restrictions on water use by the regulator.

Fluctuations in source water quality or contamination of supplies can influence service delivery and may require costly infrastructure upgrades and/or an alternate supply of water. Contamination to source water can impact the treatment process required for potable water. Sources of contamination can occur from naturally occurring compounds, chemicals in groundwater systems and pollution from man-made sources. Contamination of source water can be the result of one incident or due to long-term exposure that can degrade the quality of water over time. Treatment processes and/or capital may need to be upgraded to handle the change in source quality of water, thereby increasing the cost of treating water to ensure it meets regulatory standards.

While the impact of climate change is not known, the province does experience cycles of wet and dry years. Drought is inevitable and there will be pressure to meet increased customer demands and to encourage customers to reduce their consumption to ensure watershed sustainability. During wet years, flooding can impact infrastructure required to supply customers.

The quality of source water can also fluctuate due to weather related events. Variability in precipitation can impact the quality of water at treatment plants and the related cost of treating that water.

Availability of water supplies due to water restrictions by the regulator as a result of climate conditions, competing uses or economic conditions could affect access to sources of water which will in turn affect the demand for services and/or the ability to supply to existing and future customers.

SaskWater has mitigation measures in place including:

- monitoring of source water quality
- designing systems to take into account changing water quality
- reviewing long-term flow/availability projections
- providing conservation tips to customers
- implementing the *Save a drop. Save a lot.* campaign
- working with the regulator regarding water availability

Service Interruptions and Failures

Water and wastewater works are subject to a variety of service interruptions, such as from asset failures, which could impact customer satisfaction and the corporation's reputation and financial position. SaskWater has systems and assets including, but not limited to: water and wastewater treatment facilities and equipment, pipelines, pump stations, booster stations, etc.

Some of these assets may require replacement due their age or condition. Aging assets are expensive to maintain, operate and replace and have the potential to result in service interruptions if not maintained properly.

SaskWater's water and wastewater works are also subject to operational risks such as mechanical failure, accidents, storms, power failure, and other *force majeure* events. Any of these situations will result in service interruptions.

Service interruptions can have an impact on both SaskWater and its customers. Customers run the risk of having no water for consumption or production purposes. Extended service interruptions will significantly affect customer satisfaction. With any service interruption, SaskWater runs the risk of losses to revenue and where asset failures occur, repair costs could be substantial.

SaskWater has strategies in place to mitigate these risks including:

- increased capital spending on asset refurbishment for all of SaskWater's systems, particularly for those systems that require critical asset upgrades
- emergency response plans are in place for individual facilities
- vulnerability assessments have been completed, including site security
- contact procedures are in place to notify customers in cases of service interruptions
- remote monitoring is in place 24 hours a day, 365 days a year, to provide instant alarms in case of problems
- systems have been designed with some redundancy to minimize down time
- system audits are conducted every five years by third parties to identify potential issues
- customers are encouraged to have water storage reserves to meet their needs in cases of service interruptions. In extreme circumstances, water may be hauled from other locations
- property insurance is carried separately for each of SaskWater's assets. Properties are covered to original purchase price plus annual inflation
- SaskWater carries liability insurance

Changing Regulatory Environment

Water and wastewater operations are subject to stringent regulatory requirements that govern the environment, health and safety and quality of water provided to customers, water allocation rights and the manner in which SaskWater collects, treats, discharges and disposes of wastewater. The federal government is continually reviewing water and wastewater regulations, and the provincial regulator generally adopts their changes. Current regulatory requirements for wastewater have become more stringent, requiring different timelines for upgrades depending on the condition of water treatment facilities.

In October 2012, the provincial water regulatory agencies amalgamated into the Water Security Agency of Saskatchewan. Along with the development of this new agency, the provincial government released its *25 Year Saskatchewan Water Security Plan* which highlights the areas where water management in the province will be changed and/or improved. Included in the plan is a review of the current water legislations, including water quality, wastewater management and water right allocations which will have an impact on SaskWater.

Regulatory changes in other areas of legislation may also impact SaskWater in corporate, operational and engineering areas. Legislations relating to greenhouse gas emissions, labour relations and corporate business functions may also impact SaskWater.

Mitigation measures to manage this risk include:

- maintaining a solid working relationship with the provincial and federal regulatory agencies
- actively participating in consultation reviews with respect to potential regulatory changes
- designing facilities with the potential for future regulatory changes in mind
- completing the capital budget in conjunction with assessments for regulatory compliance
- on-going training of certified operators to ensure facilities operate in accordance with regulations

Key Financial Data

Years	Total Comprehensive Income	Revenue	Total Assets	Return on Average Equity	Debt Ratio
2014 IFRS	$ 5.5M	$ 43.9M	$ 316.4M	11.3%	45.0%
2013 IFRS	$ 3.5M	$ 42.3M	$ 223.9M	8.0%	52.9%
2012 IFRS	$ 3.0M	$ 41.8M	$ 186.4M	7.5%	53.9%
2011 IFRS	$ 3.5M	$ 34.2M	$ 179.3M	9.4%	57.6%
2010 IFRS	$ 0.4M	$ 24.6M	$ 153.8M	1.3%	58.5%

Key Operational Data

Years	Total Customer Accounts	Total Sales Volumes (cubic metres)	Kilometres of Potable and Non-Potable Pipeline	Full Time Equivalent Employees
2014	406	38.0M	865	115.5
2013	406	40.1M	876	111.9
2012	402	40.7M	862	105.4
2011	395	35.2M	860	101.0
2010	373	20.7M	850	95.2

Management's Report on Internal Control over Financial Reporting

I, Doug Matthies, the President and Chief Executive Officer, and I, Danny Bollinger, Director, Financial Services and Chief Financial Officer, certify the following:

a. That we have reviewed the financial statements included in the Annual Report of SaskWater. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2014.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of SaskWater do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That SaskWater is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskWater has designed internal controls over financial reporting that are appropriate to the circumstances of SaskWater.

d. That SaskWater conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskWater can provide reasonable assurance that internal controls over financial reporting as of December 31, 2014 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management,

Doug Matthies
President and CEO
February 25, 2015

Danny Bollinger
Director, Financial Services and Chief Financial Officer

Management's Responsibility

Management has prepared the financial statements of the Corporation in accordance with International Financial Reporting Standards. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Deloitte LLP, the Corporation's external auditors, have examined the December 31, 2014 financial statements and their report follows. The Board of Directors of SaskWater has examined and approved the statements.

On behalf of the Corporation,

Doug Matthies
President and CEO
February 25, 2015

Danny Bollinger
Director, Financial Services and Chief Financial Officer

Independent Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Water Corporation, which comprise the statement of financial position as at December 31, 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Water Corporation as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants

February 25, 2015
Regina, Saskatchewan

Statement of Comprehensive Income

for the year ended December 31

(thousands of dollars)

Revenue (note 4)	2014	2013
Water sales and treatment	$ 33,574	$ 32,249
Services	6,485	6,095
Other	3,794	3,927
	43,853	42,271
Expenses		
Salaries and benefits	11,735	10,932
Operations, maintenance and administration	11,393	10,516
Depreciation of property, plant and equipment	8,177	8,372
Bulk water purchases	6,419	5,790
Saskatchewan taxes	641	644
	38,365	36,254
Net income before the following	**5,488**	**6,017**
Finance income	1,895	637
Finance expense	(1,898)	(3,154)
Net finance expense (note 5)	**(3)**	**(2,517)**
Net income	**5,485**	**3,500**
Other comprehensive (loss) income	(18)	18
Total comprehensive income	**$ 5,467**	**$ 3,518**

See accompanying notes

Statement of Financial Position

as at

(thousands of dollars)

Assets	December 31, 2014	December 31, 2013
Current Assets		
Cash (note 6)	$ 11,747	$ 4,232
Trade and other receivables (note 7)	29,215	21,268
Prepaid expenses and inventories	642	855
	41,604	26,355
Investment – debt retirement funds (note 8)	16,989	12,504
Property, plant and equipment (note 9)	257,790	185,088
	$ 316,383	**$ 223,947**

Liabilities and Province's Equity

Current liabilities		
Trade and other payables (note 10)	$ 21,913	$ 13,816
Notes payable (note 11)	20,128	25,241
Infrastructure deposits (note 12)	19,099	2,887
Current portion of deferred revenue (note 12)	3,020	3,139
Current portion of provisions (note 13)	134	124
Current portion of long-term debt (note 14)	2,407	–
	66,701	45,207
Deferred revenue (note 12)	160,232	92,348
Provisions (note 13)	1,502	1,532
Long-term debt (note 14)	36,293	38,700
Employee benefits (note 15)	454	426
	265,182	178,213
Province's equity		
Equity advance (note 16)	8,700	8,700
Retained earnings	42,501	37,034
	51,201	45,734
	$ 316,383	**$ 223,947**

Commitments and Contingencies (note 18)

See accompanying notes

on behalf of the Board:

Vice Chair

Director

Statement of Changes in Equity

for the years ended

(thousands of dollars)

Province's equity	Retained Earnings	Equity Advances	Total
Balance, December 31, 2012	**$ 33,516**	**$ 8,700**	**$ 42,216**
Total comprehensive income	3,518	–	3,518
Balance, December 31, 2013	**37,034**	**8,700**	**45,734**
Total comprehensive income	5,467	–	5,467
Balance, December 31, 2014	**$ 42,501**	**$ 8,700**	**$ 51,201**

See accompanying notes

Statement of Cash Flows

for the year ended December 31

(thousands of dollars)

Operating activities	2014	2013
Net income	$ 5,485	$ 3,500
Items not affecting cash from operations:		
Depreciation of property, plant and equipment	8,177	8,372
Impairment of assets	85	77
Amortization of deferred revenue	(3,178)	(3,467)
Amortization of provisions – onerous contracts	(130)	(642)
Employee benefits	10	26
Net financing expense	3	2,517
Gain on disposal of property, plant and equipment	(244)	(40)
Change in non-cash working capital items:		
Trade and other receivables	(7,947)	(11,608)
Prepaid expenses and inventories	213	(392)
Trade and other payables	8,097	5,901
Infrastructure deposits	16,212	(3,079)
Deferred revenue	70,943	31,107
Interest paid	(1,844)	(2,014)
Interest received	19	37
Cash provided by operating activities	95,901	30,295
Investing activities		
Property, plant and equipment expenditures	(81,178)	(36,105)
Proceeds on disposal of property, plant and equipment	514	212
Cash used in investing activities	(80,664)	(35,893)
Financing activities		
(Repayments of) Proceeds from notes payable	(5,113)	9,080
Repayment of long-term debt	–	(5,000)
Debt retirement fund installments	(2,609)	(2,501)
Cash provided by financing activities	(7,722)	1,579
Change in cash	7,515	(4,019)
Cash, beginning of year	4,232	8,251
Cash, end of year	$ 11,747	$ 4,232

See accompanying notes

Notes to the Financial Statements

December 31, 2014

1. General information

The Saskatchewan Water Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office and principal place of business is 200-111 Fairford Street East, Moose Jaw, SK, S6H 1C8.

The Corporation was established on July 1, 1984 under the authority of *The Water Corporation Act* which remained in effect until September 30, 2002. On October 1, 2002 *The Saskatchewan Water Corporation Act* was proclaimed.

By virtue of *The Crown Corporations Act, 1993*, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

The principal activity of the Corporation is to construct, acquire, manage or operate water facilities and to provide services in accordance with any agreements that it enters into pursuant to *The Saskatchewan Water Corporation Act*.

2. Basis of preparation

Statement of compliance

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on February 25, 2015.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments that are accounted for according to the financial instrument categories defined in Note 3(m).
- Provisions defined in Note 3(e).
- Employee benefit obligations defined in Note 3(i).

Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Corporation's functional currency.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the accounting policy in Note 3, and the following notes:

- Note 9 – depreciation of property, plant and equipment
- Note 12 – deferred revenue and infrastructure deposits
- Note 13 – provisions
- Note 15 – measurement of employee benefits
- Note 18 – commitments and contingencies

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Inventories

Maintenance materials and treatment supplies inventory are recorded at the lower of weighted average cost and net realizable value. The net realizable value of inventory is the estimated market price for the same or similar items. Materials and supplies are charged to inventory when purchased and then expensed or capitalized when used.

b) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated provisions for impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets for those projects that are under construction for a period greater than six months. Assets under construction are recorded as in progress until they are available for use, at which time they are transferred to property, plant and equipment.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization are determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

When property, plant and equipment is disposed of or retired, the related cost, accumulated depreciation and any accumulated impairment losses are eliminated. Any resulting gains or losses are reflected in net income for the period.

c) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net income on a straight-line or diminishing balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

3. Significant accounting policies – continued

c) Depreciation – continued

The depreciation rates used for asset classes are as follows:

Property, plant and equipment	Method	Rate
Building	straight-line	2.5% to 5%
Water facilities	diminishing balance or straight-line, as appropriate	2% to 30%
Maintenance equipment and office equipment	diminishing balance or straight-line, as appropriate	10% to 30%

Depreciation methods, estimated useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

d) Impairment

i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Corporation considers evidence of impairment for receivables at a specific asset level. All individual receivables are assessed for specific impairment.

In assessing the individual impairments, the Corporation takes into account information related to each individual customer's current receivable position and any other factors related to the customer that are known to allow management to make estimates as to the collectability of each specific receivable.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

3. Significant accounting policies – continued

d) Impairment – continued

ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. Where a reasonable and consistent basis can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

e) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense. Currently the only provision recognized relates to onerous contracts.

f) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Corporation recognizes any impairment loss on the assets associated with that contract.

3. Significant accounting policies – continued

g) Government grants

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in net income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in net income on a systematic basis over the useful life of the asset.

h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services provided, net of discounts and sales taxes. Revenue from the rendering of services is recognized in the period the services are provided when there is clear proof that an arrangement exists, amounts are determinable and the ability to collect is reasonably assured.

Customer contributions are received from customers, generally in the form of cash, to assist in the construction of assets to provide services to the contributing customers. Prior to the commencement of construction, these amounts are recorded as infrastructure deposits. As construction occurs, these amounts are transferred to deferred revenue.

When completion of the construction is determined to be a separately identifiable service, these amounts are recognized directly into net income. When completion of construction is not determined to be separate from the ongoing supply or services, these amounts are transferred to deferred revenue and recognized in net income over the term of the contract with the customer. If the contract does not specify a period or evergreens, the revenue shall be recognized over a period no longer than the useful life of the related assets used to provide the ongoing service.

i) Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the periods during which services are rendered by employees.

iii) Defined benefit retirement allowance plan

The Corporation's obligation is the amount of future benefit that employees have earned in return for their service in the current and prior periods. At each year-end, the future benefit is actuarially determined using the projected benefit method. Any actuarial gains or losses are recognized in other comprehensive income (loss) and the Corporation will transfer any actuarial gains or losses from other equity to retained earnings in the year it is recognized in other comprehensive income (loss).

3. Significant accounting policies - continued

j) Lease payments

Payments made under operating leases are expensed on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

k) Finance income and expense

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in net income, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income using the effective interest method.

l) Equity advance

The Corporation periodically receives funding from its parent and sole equity holder, Crown Investments Corporation of Saskatchewan. Funding is first analyzed to determine whether the funding is a transaction with the equity holder in their capacity as an equity holder, i.e. equity injection, or whether the funding would be available to other parties for a specific purpose. If there is no requirement to comply with certain conditions relating to the operating activities of the Corporation, the funding is recorded as an equity advance. If the Corporation must comply with certain past or future conditions relating to the operating activities of the Corporation, and the funding could be available to other parties for a specific purpose, the funding is recorded as a government grant (see Note 3(g)).

m) Financial Instruments

i) Non-derivative financial assets

The Corporation initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in net income as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income. The Corporation has classified debt retirement funds as financial assets at fair value through profit or loss.

3. Significant accounting policies – continued

m) Financial Instruments – continued

i) Non-derivative financial assets – continued

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash

Cash includes short-term investments with original maturities of three months or less. Bank indebtedness when incurred, forms a part of the Corporation's cash management and is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Corporation does not have any assets classified as held-to-maturity.

ii) Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

iii) Other liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation does not have any financial liabilities classified as fair value through profit or loss.

n) New standards and interpretations that came into effect during the year

The Corporation adopted the following new and amended standards and interpretations effective January 1, 2014:

IAS 32 Financial instruments: presentation
IAS 36 Impairment of assets
IFRIC 21 Levies

The adoption of these standards has no material impact on the Corporation's financial statements. Any new disclosure requirements are included in the Corporation's financial statements for the year ended December 31, 2014.

3. Significant accounting policies - continued

o) New standards and interpretations not yet adopted

The following standards or amendments to standards have been issued but are not effective for the year ended December 31, 2014 that may have an impact on the financial statements:

Standards or amendments to standards	Effective Date
IFRS 9 Financial Instruments	January 1, 2018
IFRS 15 Revenue from Contracts with Customers	January 1, 2017

The extent of the impact of these new standards and amendments to standards is not known at this time.

4. Revenue

	December 31, 2014	December 31, 2013
	(Thousands)	
Water sales and treatment		
Potable water supply	$ 16,322	$ 15,410
Non-Potable water supply	16,601	16,259
Wastewater treatment	651	580
	33,574	32,249
Services		
Certified operations & maintenance	1,546	1,452
Project management	3,608	3,375
Northern project management	593	494
Operator training	719	773
Leak detection	19	1
	6,485	6,095
Other		
Amortization of customer contributions	2,950	3,237
Amortization of government grants - capital related	228	230
Miscellaneous revenue	616	460
	3,794	3,927
	$ 43,853	$ 42,271

5. Finance income and expenses

	December 31, 2014	December 31, 2013
Finance Income	(Thousands)	
Debt retirement fund earnings	$ 647	$ 600
Positive changes in fair value of debt retirement funds	1,229	–
Other finance income	19	37
	1,895	637
Finance expenses		
Interest expense on short-term debt	198	172
Interest expense on long-term debt	1,643	1,817
Negative changes in fair value of debt retirement funds	–	1,047
Unwinding of discount on provisions	110	144
Other interest expense	3	9
Borrowing costs capitalized to qualifying assets	(56)	(35)
	1,898	3,154
Net finance expense	$ (3)	$ (2,517)
Interest capitalization rate	0.10%	0.10%

6. Cash

Cash consists of cash available for current purposes and restricted use cash. Restricted use cash is only available for a specific capital project as it relates to an infrastructure deposit agreement and will be drawn upon as actual expenses are incurred.

	December 31, 2014	December 31, 2013
	(Thousands)	
Cash available for current purposes	$ 2,030	$ 1,307
Restricted use cash	9,717	2,925
	$ 11,747	$ 4,232

7. Trade and other receivables

	December 31, 2014	December 31, 2013
	(Thousands)	
Trade receivables	$ 15,847	$ 16,506
Accrued receivables	13,430	4,830
Other receivables	11	12
	29,288	21,348
Allowance for doubtful accounts	(73)	(80)
	$ 29,215	$ 21,268

The Corporation's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 20.

8. Investment – debt retirement funds

Under conditions attached to the Canada Pension Plan Investment Board long-term debt issues from the Province of Saskatchewan's General Revenue Fund (GRF), the Corporation is required (on an annual basis) to invest an amount equal to one per cent of the related outstanding debt. The investments, referred to as debt retirement funds, are administered by Saskatchewan's Ministry of Finance. The investments in debt retirement funds are held by the Province of Saskatchewan. The yield on the investments was 13.8% for 2014 (-3.8% for 2013). The changes in the carrying amount of debt retirement funds are as follows:

	December 31, 2014	December 31, 2013
	(Thousands)	
Debt retirement funds, beginning of year	$ 12,504	$ 10,450
Installments	2,609	2,501
Earnings	647	600
Change in fair value of debt retirement funds	1,229	(1,047)
Debt retirement funds, end of year	$ $16,989	$ 12,504

Debt retirement fund installments due in each of the next five years are as follows:

	(Thousands)
2015	$ 363
2016	339
2017	313
2018	263
2019	218
	$ 1,496

Notes to the Financial Statements

December 31, 2014

9. Property, plant and equipment

Cost	Buildings	Water Facilities	Maintenance & Office Equipment	Assets under Construction	Land	Total
			(Thousands)			
Balance at December 31, 2012	**$ 2,522**	**$ 210,133**	**$ 4,363**	**$ 11,826**	**$ 1,734**	**$230,578**
Additions	190	87	718	35,145	–	36,140
Transfers	–	4,224	–	(4,224)	–	–
Disposals	–	(160)	(286)	–	–	(446)
Balance at December 31, 2013	**2,712**	**214,284**	**4,795**	**42,747**	**1,734**	**266,272**
Additions	97	28	430	80,679	–	81,234
Transfers	50	4,444	139	(4,633)	–	–
Disposals	–	(601)	(448)	–	–	(1,049)
Balance at December 31, 2014	**$ 2,859**	**$ 218,155**	**$ 4,916**	**$ 118,793**	**$ 1,734**	**$346,457**
Depreciation and impairment losses						
Balance at December 31, 2012	**$ 1,388**	**$ 68,727**	**$ 2,894**	**$ –**	**$ –**	**$ 73,009**
Depreciation	139	7,842	391	–	–	8,372
Impairment adjustment	–	77	–	–	–	77
Disposals	–	(137)	(137)	–	–	(274)
Balance at December 31, 2013	**1,527**	**76,409**	**3,148**	**–**	**–**	**81,184**
Depreciation	161	7,582	434	–	–	8,177
Impairment adjustment	–	85	–	–	–	85
Disposals	–	(494)	(285)	–	–	(779)
Balance at December 31, 2014	**$ 1,688**	**$ 83,682**	**$ 3,297**	**$ –**	**$ –**	**$ 88,667**
Carrying amounts						
Balance at December 31, 2013	$ 1,185	$ 137,775	$ 1,647	$ 42,747	$ 1,734	$ 185,088
Balance at December 31, 2014	$ 1,171	$ 134,473	$ 1,619	$ 118,793	$ 1,734	$ 257,790

At December 31, 2014, the Corporation had property, plant and equipment that was fully depreciated and still in use with a cost of $14,679 (December 31, 2013 – $14,285).

For the year, capitalized borrowing costs related to the acquisition of land and construction of new assets amounted to $56 (December 31, 2013 – $35), with a capitalization rate of 0.1% (2013 – 0.1%).

During the year Water Facility asset additions were required to operate certain previously impaired cost generating units. As there were no other events during the year that impacted that assessment the additions of $85 (December 31, 2013 – $77) were recognised as impaired during the year.

10. Trade and other payables

	December 31, 2014	December 31, 2013
	(Thousands)	
Trade payables	$ 6,025	$ 4,203
Interest payable	369	369
Other payables	15,519	9,244
	$ 21,913	$ 13,816

The Corporation's exposure to liquidity risk related to trade and other payables is disclosed in Note 20.

11. Notes payable

	December 31, 2014	December 31, 2013
	(Thousands)	
Amount outstanding	$ 20,128	$ 25,241
Interest Rate	1.04%	1.01%
Due Date	31-Mar-15	31-Mar-14

By Orders-in-Council, SaskWater is authorized to borrow up to $30 million (2013 – $30 million) by way of temporary loans from the Province of Saskatchewan's General Revenue Fund (GRF).

The Corporation's exposure to interest rate and liquidity risk related to notes payable is disclosed in Note 20.

12. Deferred revenue and infrastructure deposits

Deferred revenue	December 31, 2014	December 31, 2013
	(Thousands)	
Balance, beginning of year	$ 95,487	$ 67,847
Net deferred revenue additions	9,287	6,594
Transferred from infrastructure deposits	61,656	24,513
Amortization of deferred revenue	(3,178)	(3,467)
	163,252	95,487
Less: Current Portion of Deferred Revenue	(3,020)	(3,139)
Non-current balance, end of year	$ 160,232	$ 92,348

Infrastructure deposits	December 31, 2014	December 31, 2013
	(Thousands)	
Balance, beginning of year	$ 2,887	$ 5,966
Customer contributions received/receivable	77,978	21,470
Transferred to deferred revenue	(61,656)	(24,513)
Recognized as project management revenue	(110)	(36)
Balance, end of year	$ 19,099	$ 2,887

13. Provisions

	December 31, 2014	December 31, 2013
	(Thousands)	
Balance, beginning of year	$ 1,656	$ 2,154
Settlements during the year	(234)	(272)
Provisions increased (reversed) during the year	104	(370)
Unwinding of the discount on provisions	110	144
	$ 1,636	$ 1,656
Less: Current Portion of Provisions	(134)	(124)
Non-current balance, end of year	$ 1,502	$ 1,532

The Corporation has onerous contracts related to two potable systems. The systems have significant contracts in effect until December 31, 2022 and December 31, 2026 respectively. The changes to the provision were related to system performance that was different than anticipated during 2014 and 2013.

14. Long-term debt

Date of Maturity	Coupon Rate (per cent)	December 31, 2014 Effective Rate (per cent)	December 31, 2014 Outstanding Amount (Thousands)	December 31, 2013 Effective Rate (per cent)	December 31, 2013 Outstanding Amount (Thousands)
12-Dec-15	4.30	4.30	$ 2,407	4.30	$ 2,407
10-Jan-16	4.21	4.21	2,400	4.21	2,400
11-May-17	4.46	4.46	2,600	4.46	2,600
3-Mar-18	4.45	4.45	5,000	4.45	5,000
1-Sep-19	4.16	4.16	4,500	4.16	4,500
1-Mar-20	4.14	4.14	5,093	4.14	5,093
1-Dec-21	2.96	2.96	3,900	2.96	3,900
1-Mar-24	5.32	5.32	2,100	5.32	2,100
10-Apr-25	5.05	5.05	1,700	5.05	1,700
3-Dec-30	4.32	4.32	9,000	4.32	9,000
			38,700		38,700
Less: Current portion of long-term debt			(2,407)		-
			$ 36,293		$ 38,700

These loans are payable to the Province of Saskatchewan's GRF with interest payable semi-annually. The Corporation's exposure to interest rate and liquidity risk related to long-term debt is disclosed in Note 20.

Long-term debt repayments in each of the next five years are as follows:

	(Thousands)
2015	$ 2,407
2016	2,400
2017	2,600
2018	5,000
2019	4,500
Thereafter	21,793
	$ 38,700

Under conditions attached to certain advances from the Province of Saskatchewan the Corporation is required to pay annually into debt retirement funds administered by the Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding (Note 8).

15. Employee benefits

a) Defined benefit retiring allowance plan

The amounts related to the defined benefit retiring allowance plan for executive, management employees and members of the UNIFOR Union are as follows:

	December 31, 2014	December 31, 2013
	(Thousands)	
Balance, beginning of period	$ 426	$ 418
Expenses	10	26
Actuarial losses (gains)	18	(18)
Balance, end of period	$ 454	$ 426

The significant actuarial assumptions adopted in measuring the Corporation's annual accrued benefit liability are:

Discount rate	3.60%	4.25%
Inflation rate	2.50%	2.50%
Average remaining service life	12.3 years	12.6 years

The discount rate has been determined using the most recent information available on corporate bond market yields whose duration approximates the duration of the liabilities.

b) Defined contribution pension plan (Thousands)

The Corporation's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is sponsored by CIC. The Corporation's contributions to the Plan include making regular payments into the Plan equal to 160% of the required amounts contributed by employees for current service. The total amount paid to the Plan to December 31, 2014 was $728 (December 31, 2013 – $676).

16. Equity advance and capital disclosure

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

The Corporation's debt management plan is built on the goal of ensuring the capacity to meet long term obligations and ensuring financial health, while achieving the growth plans of the Corporation.

As a Crown corporation, SaskWater receives its long-term capital funding primarily from the Saskatchewan Ministry of Finance. SaskWater also has access to a $30 million line of credit.

The Corporation's capital consists of notes payable, long-term debt and equity, less debt retirement funds.

The Corporation monitors capital on the basis of the debt ratio. The current long-term debt ratio target is 60%, which is consistent with the prior period. The debt ratio is calculated as net debt divided by end of period capitalization as follows:

	December 31, 2014	December 31, 2013
	(Thousands)	
Gross long-term debt	$ 38,700	$ 38,700
Notes payable	20,128	25,241
Debt retirement funds	(16,989)	(12,504)
Net debt	41,839	51,437
Total equity	51,201	45,734
Capitalization	$ 93,040	$ 97,171
Debt ratio	45.0%	52.9%

The Corporation has complied with all externally imposed restrictions on its debt for the year ended December 31, 2014.

17. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2014	December 31, 2013
	(Thousands)	
Less than one year	$ 722	$ 667
Between one and five years	916	1,420
More than five years	–	–
	$ 1,638	$ 2,087

The Corporation leases a number of vehicles, office equipment and four office facilities under operating leases. During the year, an amount of $713 (2013 – $548) was recognized as an expense in net income with respect to operating leases.

18. Commitments and contingencies

a) Contractual commitments (Thousands)

As of December 31, 2014, the Corporation has outstanding commitments of $44,775 (December 31, 2013 – $92,712) for construction contracts and consulting agreements primarily relating to assets under construction and other service contracts.

b) Litigation

The Corporation has provided, in its accounts, for any known claims from lawsuits or other legal proceedings for which there is material risk of liability to the Corporation in accordance with management's best estimates and the advice received from legal counsel. The Corporation intends to account for any differences which may arise between amounts provided and amounts expended in the period in which the claims are resolved.

19. Related party transactions

a) Related parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Corporation has elected to take partial exemption under IAS *24 Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government and other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. The Corporation also pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

b) Compensation of key management personnel

Key management personnel include the President and Vice President positions. The compensation related to key management for employee services is shown below:

	December 31, 2014	December 31, 2013
	(Thousands)	
Salaries, wages and short-term employee benefits	$ 759	$ 607
Post-employment benefits	87	41
	$ 846	$ 648

20. Financial instruments and risk management

a) Fair values

Fair values are the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

		December 31, 2014 Asset (Liability)		December 31, 2013 Asset (Liability)	
	Classification[1]	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(Thousands)			
Financial assets					
Cash	FVTPL	$ 11,747	$ 11,747	$ 4,232	$ 4,232
Trade and other receivables	L&R	29,215	29,215	21,268	21,268
Debt retirement funds	FVTPL	16,989	16,989	12,504	12,504
Financial liabilities					
Trade and other payables	OL	21,913	21,913	13,816	13,816
Notes payable	OL	20,128	20,128	25,241	25,241
Infrastructure deposits	OL	19,099	19,099	2,887	2,887
Long-term debt	OL	38,700	43,300	38,700	41,404

[1]Classification details are as follows:

FVTPL – Fair value through profit and loss

L&R – Loans and Receivables

OL – Other Liabilities

The estimated fair values of these financial instruments have been determined based on the following methods and assumptions, and may not represent the amounts that could be realized upon settlement.

20. Financial instruments and risk management – continued

b) Determination of fair values

When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash, trade and other receivables, trade and other payables and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

For financial instruments listed below, fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. Accordingly, the determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

	December 31, 2014		December 31, 2013	
	Level 1	Level 2	Level 1	Level 2
		(Thousands)		
Debt retirement funds	$ –	$ 16,989	$ –	$ 12,504
Long-term debt	$ –	$ 43,300	$ –	$ 41,404

All long-term debt obligations are estimated using discounted cash flow analysis based on current market yields for similar arrangements (Level 2). Debt retirement funds are valued at closing period-end unit prices received from the Saskatchewan Ministry of Finance (Level 2).

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Saskatchewan Ministry of Finance. The Corporation has classified these investments as fair value through profit or loss and therefore recognized the change in the market value in net earnings for the period. The impact of fluctuations in market prices related to these investments will not be significant, therefore management has not provided a sensitivity analysis of the impact.

The Corporation is exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. Interest rate risk on these expected future borrowings are managed, based on the refinancing needs of the Corporation, using derivative financial instruments when deemed appropriate. The Corporation had no derivative financial instruments in place to offset interest rate risk as of December 31, 2014 and December 31, 2013. The change in rate would have no impact on net income due to classification of long-term debt as other liabilities.

20. Financial instruments and risk management – continued

d) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. SaskWater manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities:

	December 31, 2014				
	6 months or less	7 – 12 months	Subsequent 1 Year	Subsequent 3 – 5 years	More than 5 years
	(Thousands)				
Trade and other payables	$ 21,913	$ –	$ –	$ –	$ –
Notes payable	20,179	–	–	–	–
Long-term debt	821	3,229	3,889	15,791	27,381
	$ 42,913	$ 3,229	$ 3,889	$ 15,791	$ 27,381

	December 31, 2013				
	6 months or less	7 – 12 months	Subsequent 1 Year	Subsequent 3 – 5 years	More than 5 years
	(Thousands)				
Trade and other payables	$ 13,816	$ –	$ –	$ –	$ –
Notes payable	25,304	–	–	–	–
Long-term debt	821	822	4,050	14,080	32,981
	$ 39,941	$ 822	$ 4,050	$ 14,080	$ 32,981

Future cash flows from operations and availability under existing credit facilities will be adequate to support these financial liabilities.

20. Financial instruments and risk management - continued

e) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation is not exposed to a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at the following dates, is limited to the fair value of the financial assets recognized as follows:

	December 31, 2014	December 31, 2013
	(Thousands)	
Cash	$ 11,747	$ 4,232
Trade receivables		
Current	15,446	15,087
31 - 60 days	2	32
61 - 90 days	167	136
Over 90 days	232	1,251
Subtotal	15,847	16,506
Allowance	(73)	(80)
	15,774	16,426
Accrued and other receivables	13,441	4,842
Debt retirement funds	16,989	12,504
	$ 57,951	$ 38,004

Provisions for credit losses are maintained and regularly reviewed by the Corporation based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances. At December 31, 2014, the Corporation had a balance of $73 (December 31, 2013 - $80 recorded in the allowance for doubtful accounts).

Debt retirement funds are on deposit with, and being administered by, the Saskatchewan Ministry of Finance. At December 31, 2014, the Ministry has invested these funds primarily in Provincial government and Federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at December 31, 2014, is considered low.

Corporate governance is generally accepted as the set of processes, customs, policies, laws and institutions that affect how a corporation is directed, administered or controlled. Corporate governance includes the relationships among the stakeholders and the goals for which the corporation is governed. Effective corporate governance results in a well-run, high-performing and transparent organization, accountable to the public it serves. The shareholder, board of directors and management are instrumental in achieving effective corporate governance.

A Vision for All Crown Corporations

SaskWater shares in the vision that the provincial government has defined for the Crown sector. This vision is for "a secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all."

Crown Corporation Structure

SaskWater is a statutory Crown corporation governed by *The Saskatchewan Water Corporation Act, 2002*, and is subject to the provisions of *The Crown Corporations Act, 1993*.

Crown Investments Corporation of Saskatchewan (CIC) is the Province of Saskatchewan's holding company for its commercial Crown corporations, including SaskWater.

Roles and Responsibilities

The Government of Saskatchewan represents the public's interests and sets the vision for the Crown sector. Government approves and rescinds Crown Board appointments.

The CIC Board sets strategic direction for the Crown sector, sets public policy expectations, approves performance standards, allocates capital, and monitors and evaluates the Crown corporations' performance throughout the year.

The Minister Responsible for SaskWater keeps informed of Crown activities and functions as the communication channel between the Crown corporation and its stakeholders, including government, the legislature and the public.

CIC develops policy on Crown corporations and communicates and monitors strategic shareholder direction and policy to the corporation.

SaskWater's Board oversees the overall direction of the business activities of the corporation to achieve the performance targets and is responsible for the approval and implementation of the corporation's strategic plan and performance plan.

Direction to the Crown Sector

The CIC Board provides direction to SaskWater which is reflected in our strategic, business and operational plans. CIC priorities include:

- customer focus to provide the best possible service that is high quality, accessible and affordable
- infrastructure for economic development in Saskatchewan
- development of an effective workforce while striving to contain growth in the workforce
- financial and fiscal sustainability

CIC also provides direction to SaskWater for such things as programs, reporting processes and procedures, policies and administrative or legislative matters.

Source: *Crown Sector Strategic Plan*

Board of Directors

The SaskWater Board consists of eight (8) independent directors. All are appointed for a set term by the Lieutenant Governor in Council, who also designates the Chair and Vice Chair.

Responsibilities and Duties

The Board is responsible for SaskWater's stewardship while fostering success consistent with SaskWater's mandate. The Board works with management to oversee corporate operations, including:

- setting corporate direction
- guiding strategic planning processes
- executing performance evaluations
- annual and quarterly monitoring and reporting functions
- assisting in business plan development and approval
- monitoring processes and systems used to achieve sustainable operations

The SaskWater Board of Directors met 11 times in 2014.

Committees

In 2014, the Board had two (2) standing committees to undertake detailed reviews and provide in-depth supervision in key areas of responsibility. The Committees of the Board were:

- Audit and Finance, and
- Governance and Corporate Responsibility

Audit and Finance Committee – held six (6) meetings in 2014

Members: Ken Hookway (Chair until March 19, 2014), Gary Vidal (Chair after March 19, 2014), Glen Rittinger, Glenda Whalen, Jordan Bergermann

The Audit and Finance Committee helps the Board fulfill its financial accountability by:

- overseeing the corporation's budget, financial operations and results
- reviewing internal controls established by management and the Board
- participating in internal and external audit processes
- monitoring the adequacy and condition of capital assets
- reviewing and making recommendations on capital activities
- ensuring appropriate systems are in place to identify and manage risk

Governance and Corporate Responsibility Committee – held six (6) meetings in 2014

Members: Gary Vidal (Chair until March 19, 2014), Ken Hookway (Chair after March 19, 2014), Lionel LaBelle, Brenda Merasty, Silvia Martini

The Governance and Corporate Responsibility Committee reviews and maintains SaskWater's governance practices and oversees the Board's nominating and governance activities, including:

- evaluating the performance of Board committees, Board Chair, individual directors and the President/CEO
- recommending Board and Committee structure, composition and mandate
- ensuring Board orientation and opportunities for professional development
- articulating the roles and responsibilities of the Board
- overseeing compensation policies and collective bargaining mandate

Terms of Reference outlining the specific scope, duties and responsibilities of the SaskWater Board of Directors and Committees are available upon request by contacting the Corporate Secretary to the Board.

Governance Practices

In substantial alignment with current industry best practices, SaskWater's approach to corporate governance is consistent with the Canadian Securities Administrators' (CSA) Corporate Governance Guidelines and Disclosure Practices. These guidelines address areas of responsibility for effective corporate governance, including responsibility for stewardship of the corporation, the Board's role, and ensuring proper function of the Board, while maintaining its fiduciary obligation to the corporation.

SaskWater's corporate governance practices are benchmarked against CSA's Corporate Governance Guidelines. SaskWater's Corporate Governance Policies and Practices can be found at www.saskwater.com.

The SaskWater Board of Directors, from left: Gary Vidal, Glen Rittinger, Lionel LaBelle, Glenda Whalen, Ken Hookway, Silvia Martini, Brenda Merasty, Jordan Bergermann at the geothermal well building in Moose Jaw.

Chair, Glen D. Rittinger FCA, CFP, Ch Dir

We were very saddened when Glen Rittinger passed away on December 21, 2014. Glen served as the chair of SaskWater since 2008, and he made many contributions to the success of SaskWater.

Swift Current

Glen Rittinger was a senior advisor to Stark & Marsh, Chartered Accountants since 2012, after being a partner with the firm from 1978 to 2011. He was a past instructor at the University of Regina and Athabasca College. Mr. Rittinger was a past council member for the Institute of Chartered Accountants of Saskatchewan and a past member of the institute's Liability Insurance Committee, and the Saskatchewan representative to the Interprovincial Task Force on Multidisciplinary Activities. He was most recently a member of the professional conduct committee. He held a Bachelor of Commerce degree from the University of Saskatchewan and received his CA in 1976, FCA in 1992, and CFP in 1999. Mr. Rittinger became a Chartered Director in 2012. He was past president of the Swift Current Kiwanis and the Swift Current Minor Hockey Association.

Vice Chair, Lionel LaBelle

Saskatoon

Lionel LaBelle has an extensive entrepreneurial background, having assumed a leadership and ownership role in a cross section of public and private corporations focused on agribusiness, construction and manufacturing. Most recently, he was President and CEO of the Saskatchewan Trade and Export Partnership (STEP), a member-based public/private partnership focused on assisting Saskatchewan exporters in national and international markets. Lionel continues to sit on the board of the Global Transportation Hub Authority (GTH) as well as a member of the Premier's Asia Advisory Council. Since September 2014, Lionel has taken a leadership role in developing and delivering on the mandate of a new government entity called Priority Saskatchewan whose mandate is focused on enhancing the Government of Saskatchewan's procurement initiatives. His role will come to an end by the second quarter of 2015.

Jordan Bergermann

Muenster

Jordan Bergermann was elected as Councillor for Division 1 in the R.M. of Humboldt #370 shortly before retiring from farming in the spring of 2005. After serving two years as councillor, he was elected as Reeve, in which capacity he serves at the present time. Since becoming involved in municipal politics, he represents the R.M. of Humboldt #370 on the Lanigan/Dellwood Watershed Association Board. He has served on various community boards and is a Grand Knight and a fourth degree member of the Knights of Columbus.

Jordan completed a two year appointment to the Governance Committee of the SaskWater Board of Directors in February 2012. Currently, he serves on the Audit & Finance Committee.

Ken Hookway
Melfort

Ken Hookway is an Agriculture Account Manager II with Affinity Credit Union in the Melfort Business Banking Centre. He has been employed in the banking industry for the past 39 years, 30 of those years in Western Canada, and has served Saskatchewan's farming community since 1988. Ken is a past member, director or treasurer on many boards and committees, such as the local Kinsmen Club, Melfort United Church, Melfort Mustangs Junior Hockey Club, Melfort & District Chamber of Commerce, the University of Saskatchewan Regional Advisory Committee and STARS Melfort Fund Raising Committee. Since 2001, he has worked as a private bookkeeper in the farming and commercial business sectors.

Silvia Martini
Saskatoon

Silvia Martini is Vice President of Interlink Research, Inc. Her business ownership and leadership experience spans 30 years, and include strategy, start-ups, market development, manufacturing, and exporting. She is a staunch advocate for Saskatchewan's leadership potential in sustainable economic and community development. Among her commitments to community, she is a speaker, workshop facilitator and writer on business and leadership. She is serving a second elected term as a director of the board for the Greater Saskatoon Chamber of Commerce. A professional advisor and presenter with the Raj Manek Mentorship Program and past board member, she also serves in mentorship with the University of Saskatchewan Betty-Ann Heggie Womentorship Program. She is a graduate of the Edwards School of Business.

Silvia considers it a privilege to serve as a director of the board for SaskWater, recognizing Saskatchewan's commercial Crown water utility as integral to success and quality of life in the province.

Brenda Merasty
Saskatoon

Brenda Merasty is a consultant with JETA Holdings Limited. She is also a board member of the Oskayak High School in Saskatoon and volunteers her time as a member of the Public Policy/Government Relations Sub Committee of Big Brothers Big Sisters Canada. Previously, Brenda has worked at the Federation of Saskatchewan Indian Nations (FSIN) and the Assembly of First Nations (AFN) as a Senior Policy Analyst. She has also held the position of Vice President of Academics and Student Services at the Saskatchewan Indian Institute of Technologies (SIIT) and has worked as an educational consultant and teacher. In her work, she has researched, developed and designed strategies, programs and initiatives to address First Nations' education and community development issues by advancing and promoting child and youth education, mentorship, and community asset mapping and building. Brenda has a Master's degree in Educational Administration from the University of Saskatchewan.

Gary Vidal, CPA, CGA
Meadow Lake

Gary Vidal is a partner in the accounting firm Pliska Vidal & Co. in Meadow Lake where he has served his clients for more than 25 years. He was elected Mayor of the City of Meadow Lake in September 2011 and continues to serve his community in that capacity. Gary has invested a significant amount of time in his community through his service on various boards and committees over the years. He also is a committed volunteer in the area of minor hockey.

Since joining the SaskWater board in February 2008, Gary has very much enjoyed using his leadership and financial background at the board table to contribute to the challenge of SaskWater becoming a successful business.

Glenda Whalen
Qu'Appelle

Glenda Whalen is a small business owner in southern Saskatchewan. After many years in the field of education, Glenda pursued her Bachelor of Fine Arts Degree at the University of Regina, graduating in 2003 with distinction. Serving her community is a high priority for Glenda. She is on the Town of Qu'Appelle Fundraising Committee for the new library to be built in 2015. Her volunteerism over the years includes the James Hamblin School Council, Qu'Appelle Soccer Association (founding member), Lioness, Indian Head Broncs football and Indian Head Chiefs Hockey where for many years she was manager of the team. Glenda and her husband are owners and operators of a cattle and grain farm in the R.M. of South Qu'Appelle. She is pursuing her Chartered Director designation through McMaster University to further her education in the public sector. She takes great pride in SaskWater and its high standard of excellence in the water and wastewater industry in Saskatchewan.

Executive

Doug Matthies, President and CEO

Doug Matthies has served as the President of SaskWater since July 1, 2010. Prior to joining SaskWater, Doug served in several senior capacities in the provincial government including as Deputy Minister of Finance, Deputy Minister of Agriculture and Food, General Manager of the Saskatchewan Crop Insurance Corporation and General Manager of the Saskatchewan Pension Plan.

His experience in government spans several areas including strategic planning, policy analysis and development, financial management, program operations, public accountability, legislative and regulatory processes, and stakeholder consultations and relations. Prior to joining government in 1987, Doug worked in the private sector accounting firm of Clarkson and Gordon and later the firm Arscott Hill & Matonovitch.

Doug has served on several boards over the course of his career including organizations in the fields of international trade, agricultural research, transportation, and financial institutions. He has also been a member of various federal-provincial working groups, inter-ministry working groups and community groups.

Doug is a Chartered Accountant with a Bachelor of Administration (Distinction) degree from the University of Regina, and completed the Queen's University Executive Program.

Eric Light, Vice President, Operations and Engineering

In June 2014, Eric Light assumed the duties of Vice President, Operations and Engineering. He is responsible for managing the delivery of SaskWater's core business the operation, maintenance and service delivery for the supply of potable and non-potable water to communities and industries and for the engineering functions to manage new capital projects and support operations. Other lines of business falling under Eric's direction include certified operation and maintenance of customer-owned waterworks, operator training and Occupational Health and Safety.

Eric has over 29 years of engineering and management experience and has been with SaskWater since 1986. His previous position was Director of Engineering, a role he held since January 2009.

Eric has a Bachelor of Applied Science degree in Regional Systems Engineering from the University of Regina, as well as his Master of Engineering degree in Civil Engineering from the University of Saskatchewan. Eric is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan.

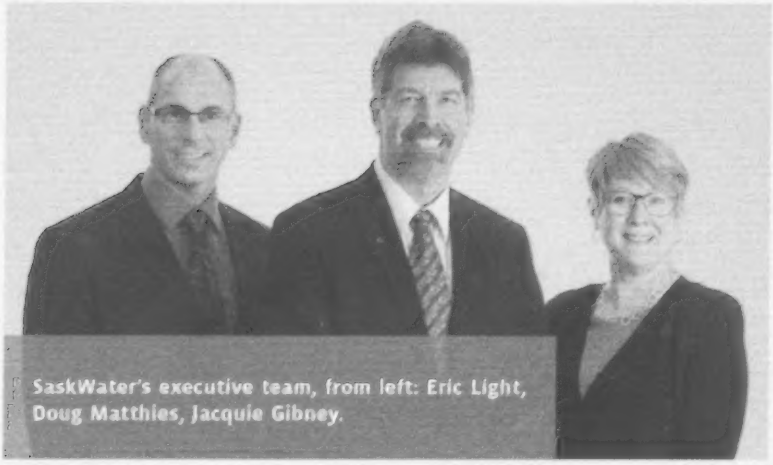
Jacquie Gibney, Vice President, Business Development and Corporate Services

Jacquie Gibney became the Vice President, Business Development and Corporate Services at SaskWater in September 2014. She is responsible for human resources, administration and facility services, information technology, policy and planning, corporate communication and business development for the corporation.

Prior to joining SaskWater, Jacquie held several positions with Farm Credit Canada including Director of Corporate Communication and Change Management and Director, Strategy and Government Relations. She also spent over 20 years with the Saskatchewan Ministry of Agriculture in a variety of senior capacities including Assistant Deputy Minister responsible for industry development.

Jacquie has over 25 years of public sector experience spanning a broad number of areas including agriculture finance, policy and program development, corporate communication, strategic planning, government relations, research and business development.

Jacquie has a Bachelor of Science in Agriculture degree from the University of Saskatchewan and a Master's degree in Business Administration.



SaskWater's executive team, from left: Eric Light, Doug Matthies, Jacquie Gibney.

Doug Matthies, President and CEO

Danny Bollinger, Director, Financial Services
Monty Gendall, General Counsel

Operations and Engineering

Eric Light, Vice President, Operations and Engineering
John Conway, Director, Engineering
Rynette Moore-Guillaume, Director, Operations
Glen Gillis, Manager, Northern Engineering
Charles Sherburne, Manager, Occupational Health & Safety

Business Development and Corporate Services

Jacquie Gibney, Vice President, Business Development and Corporate Services
Randy Avery, Director, Business Development
Kim Cave, Manager, Administration and Facility Services
Ingrid Newton, Manager, Policy and Planning
Kevin Prouten, Manager, IT Services
Brenda Stewart, Manager, Human Resources
Amanda Zarubin, Manager, Human Resources
Gayle Zimmerman, Manager, Corporate Communications

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